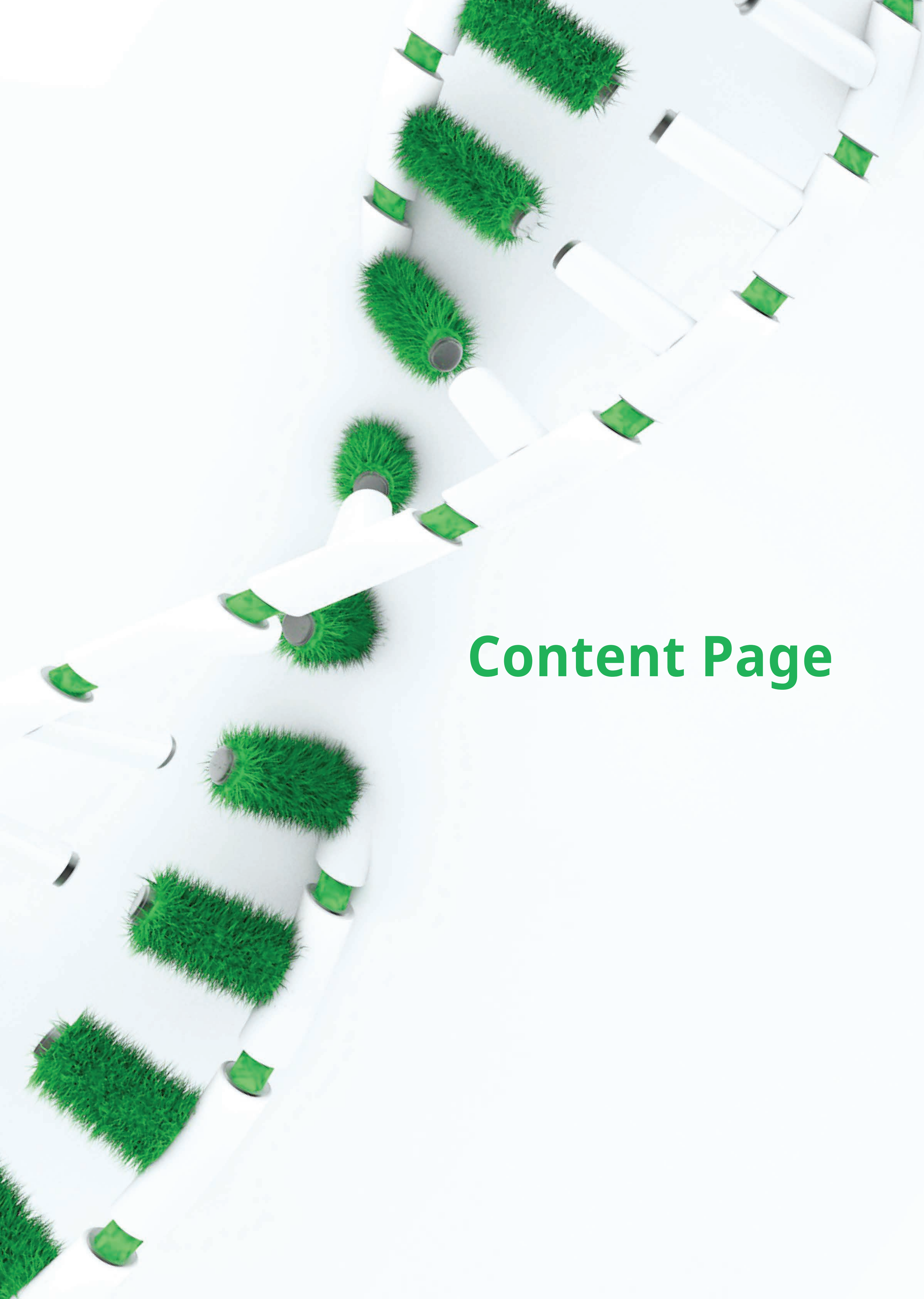
SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)

ANNUAL REPORT 2021



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Principal products

Oncology medicines:

- Qingkeshu (Abiraterone Acetate) tablets,
- Anxian (Lenalidomide) capsules,
- Yinishu (Dasatinib) tablets,
- Genike (Imatinib Mesylate) capsules,
- Anyue (Pomalidomide) capsules,
- Leweixin (Bendamustine Hydrochloride for Injection)

Cardio-cerebral vascular medicines:

- Kaina (Beraprost Sodium) tablets,
- Anrixin (Rivaroxaban) tablets

Hepatitis medicines:

- Tianqingganmei (Magnesium Isoglycyrrhizinate) injections,
- Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules

Orthopedic medicines:

- Gaisanchun (Calcitriol) capsules,
- Yigu (Zoledronic Acid) injections,
- Taiyan (Tofacitinib Citrate) tablets

Respiratory system medicines:

- Tianqingsuchang (Budesonide Suspension for Inhalation)

Parenteral nutritious medicines:

- Xinhaineng (Carbohydrate and Electrolyte) injections,
- Fenghaina (Ganirelix Acetate Injection)

Others : Debaian (Flurbiprofen) cataplasms,
Qingliming (Iodixanol) injections

Corporate Profile

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

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

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

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

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

Corporate Profile

2010 March

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

2011 September

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

2013 May

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

2016, 2017 and 2018

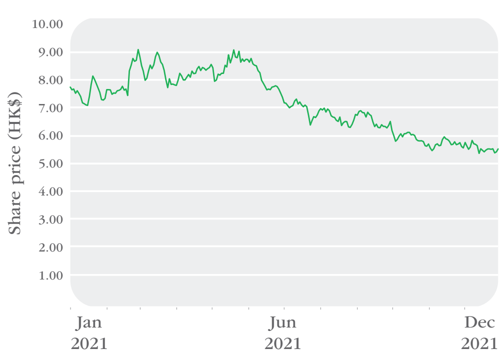
Asia Fab 50 Companies The Company was included in Forbes Asia's "Asia Fab 50 Companies" for three consecutive years in 2016, 2017 and 2018.

2017 December

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

Fig.1.1

Share prices of the Company in 2021



- Revenue: RMB26.9 billion (2021)
- Net Profit: RMB16.6 billion (2021)
- As at the end of 2021, the aggregate amount of cash dividend distribution was over HK$7.9 billion
- For the three years from 2019 to 2021, the total amount of taxes paid was over RMB11 billion

2018 January

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

2018 May

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

2018 September

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

2019 December

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

2019 and 2020

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

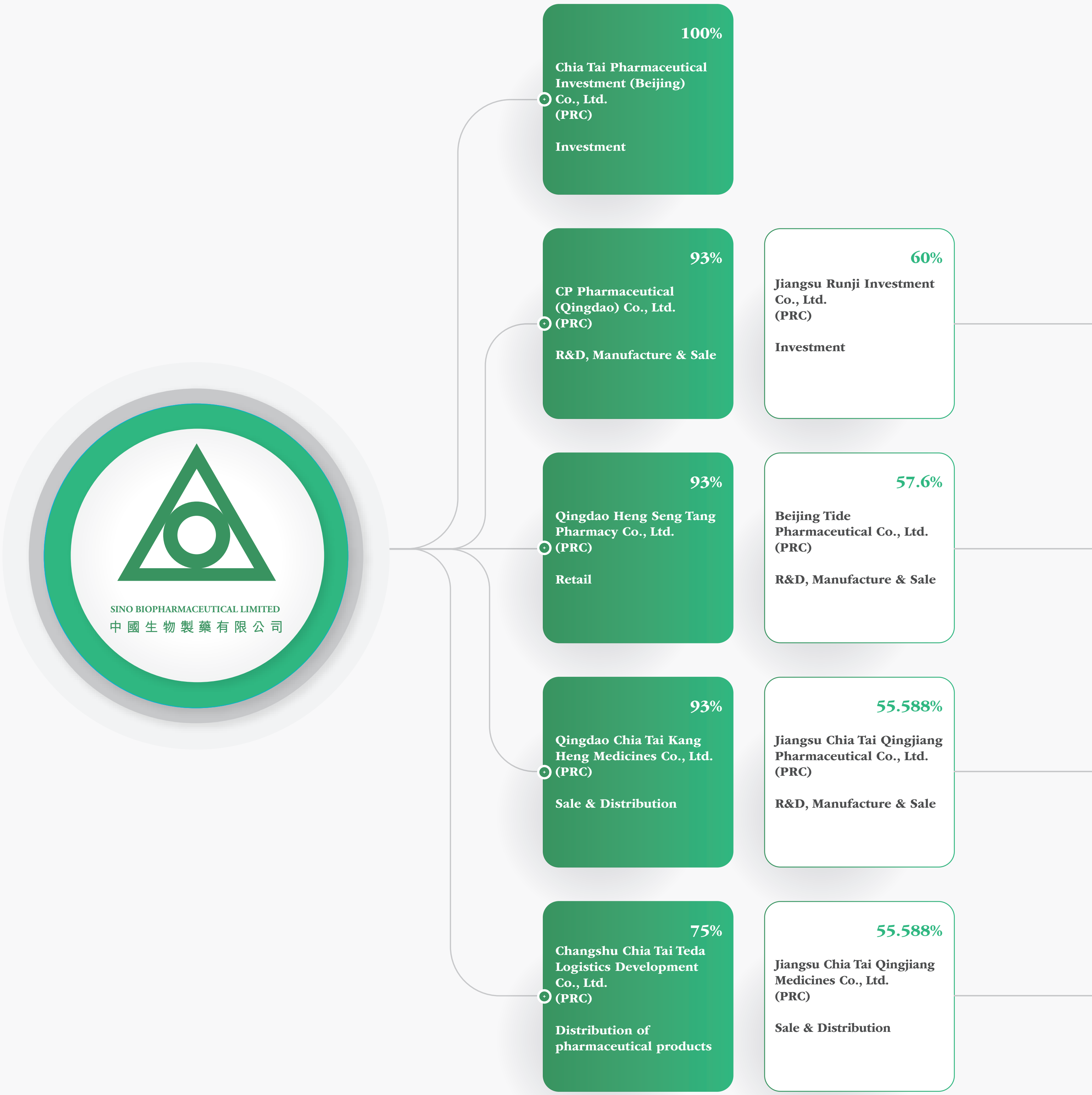
2020 March

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

Corporate Profile

GROUP STRUCTURE OF PRINCIPAL SUBSIDIARIES

Fig.1.2



51%
China Biotech & Drug Development Limited (Hong Kong)
R&D

100%
Chia Tai Yushanfang Health Technology (Hangzhou) Co., Ltd. (PRC)
Health information consultancy services

60.898%
Jiangsu Chia Tai Fenghai Medicines Co., Ltd. (PRC)
Sale & Distribution

60%
Lianyungang Runzhong Pharmaceutical Co., Ltd. (PRC)
Manufacture & Sale

44.2%
Chia Tai Shaoyang Orthopedic Hospital (PRC)
Outpatient & Hospitalization

86.42%
Shanghai Tongyong Pharmaceutical Co., Ltd. (PRC)
R&D, Manufacture & Sale

60.898%
Nanjing Chia Tai Fenghai Medicines Technology Co., Ltd. (PRC)
Sale & Distribution

60%
Nanjing Shunxin Pharmaceutical Co., Ltd. (PRC)
Manufacture & Sale

34.64%
Tianjin Chia Tai Zhenwutang Food Co., Ltd. (PRC)
Manufacture & Sale

86.42%
Shanghai Tongzheng Import Export Co., Ltd. (PRC)
Sale & Distribution

60%
Chia Tai-Tianqing Pharmaceutical Holdings Co., Ltd. (PRC)
R&D, Manufacture & Sale

60%
Chia Tai Tianqing Europe SL (Spain)
Health information consultancy services

33%
Zhejiang Tianqing Zhongwei Medicines Co., Ltd. (PRC)
Sale & Distribution

70%
Chia Tai Yeheng Biotech (Shanghai) Co., Ltd. (PRC)
Medical technology development

60%
Lianyungang Chia Tai Tianqing Medicines Co., Ltd. (PRC)
Sale & Distribution

55.6%
Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (PRC)
R&D, Manufacture & Sale

33%
Suzhou Tianqing Xingwei Medicines Co., Ltd. (PRC)
Sale & Distribution

60.898%
Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (PRC)
R&D, Manufacture & Sale

60%
Lianyungang Tianrun Pharmacy Ltd. (PRC)
Retail

43.365%
Anhui Chia Tai Healthcare Industry Co., Ltd. (PRC)
Manufacture & Sale

Financial Summary

A summary of the published results and assets, liabilities, net assets and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

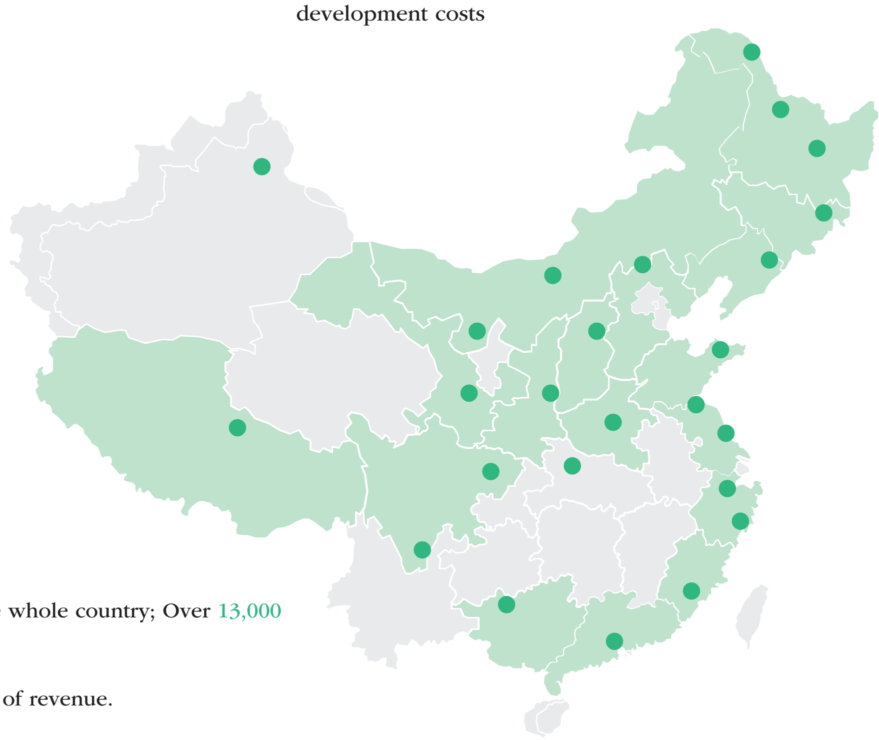
	2021 RMB'000	2020 RMB'000	2019 RMB'000 (Restated)	2018 RMB'000 (Restated)	2017 RMB'000 (Restated)
REVENUE	**26,861,356**	23,647,224	24,234,030	21,472,122	18,325,878
Cost of sales	**(5,332,095)**	(5,182,320)	(4,926,268)	(4,291,133)	(3,622,808)
Gross profit	**21,529,261**	18,464,904	19,307,762	17,180,989	14,703,070
Other income and gains	**1,068,929**	1,241,223	862,603	887,796	680,734
Selling and distribution costs	**(10,518,393)**	(8,972,635)	(9,319,541)	(8,277,054)	(7,170,818)
Administrative expenses	**(2,185,234)**	(2,655,926)	(2,477,418)	(2,252,313)	(2,165,033)
Other operating expenses	**(4,644,063)**	(2,737,921)	(2,564,249)	(2,419,844)	(1,602,428)
Including: Research and development costs	***(3,677,259)***	*(2,626,709)*	*(2,398,712)*	*(2,124,040)*	*(1,595,312)*
Finance costs	**(308,617)**	(323,368)	(229,950)	(151,476)	(80,653)
Share of profits and losses of associates and a joint venture	**13,630,790**	(3,233)	111,385	(63,902)	7,294
PROFIT BEFORE TAX	**18,572,673**	5,013,044	5,690,592	4,904,196	4,372,166
Income tax expenses	**(1,957,880)**	(672,377)	(902,747)	(748,725)	(691,756)
PROFIT FOR THE YEAR	**16,614,793**	4,340,667	4,787,845	4,155,471	3,680,410
Attributable to:					
Owners of the parent	**14,608,412**	2,771,086	2,761,542	2,390,096	2,518,569
Non-controlling interests	**2,006,381**	1,569,581	2,026,303	1,765,375	1,161,841
	16,614,793	4,340,667	4,787,845	4,155,471	3,680,410
TOTAL ASSETS	**60,543,337**	47,210,438	37,514,192	29,031,350	25,750,672
TOTAL LIABILITIES	**(22,814,314)**	(24,790,880)	(16,953,010)	(11,252,131)	(9,636,893)
NET ASSETS	**37,729,023**	22,419,558	20,561,182	17,779,219	16,113,779
NON-CONTROLLING INTERESTS	**(7,437,907)**	(5,672,398)	(5,611,937)	(4,757,776)	(5,190,400)

SALES GROWTH
Fig.1.3

GROWTH OF OPERATING PROFIT*
Fig.1.4

* Operating profit = gross profit – selling and distribution costs – administrative expenses – research and development costs

SALES NETWORK
Fig.1.5

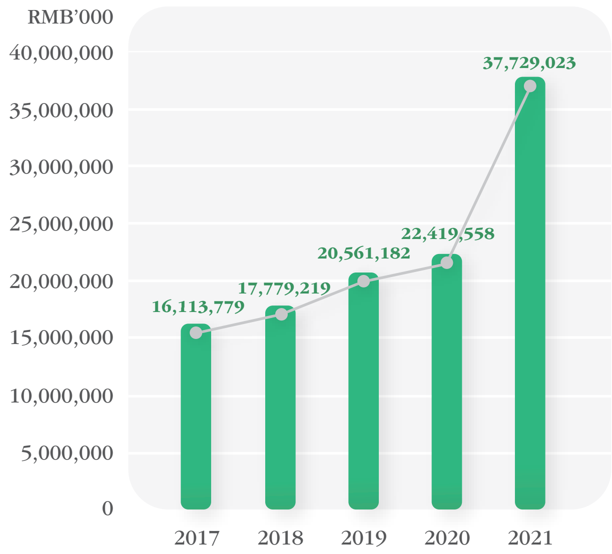


- Sales networks are distributed over the whole country; Over 13,000 professional sales staff
- Cover over 90% hospitals.
- Total R&D expenditures was over 14% of revenue.

Financial Summary

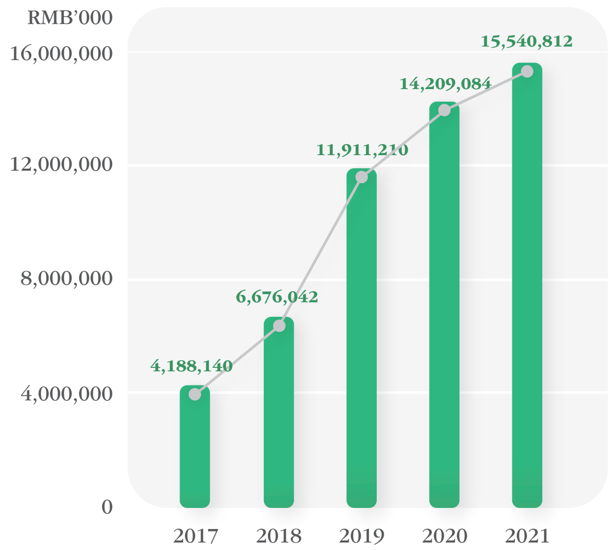
NET ASSETS VALUE

Fig.1.6



CASH AND BANK BALANCES*

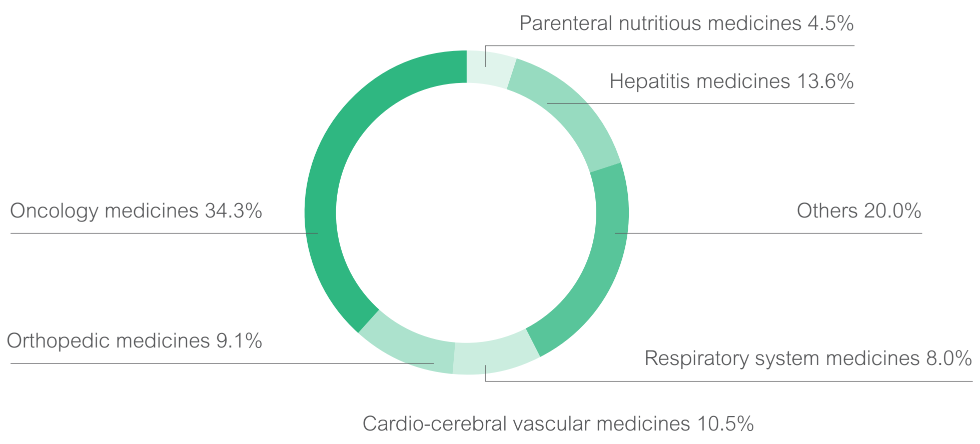
Fig.1.7



* Including non-current bank deposit

REVENUE BY THERAPEUTIC CATEGORIES (2021)

Fig.1.8



R&D STRENGTH – BLOCKBUSTER PRODUCTS PLANNED TO BE LAUNCHED IN THE NEXT THREE YEARS

Fig.1.9

	Generic Name of the Drugs	Therapeutic Area
1	HBQ	Respiratory system
2	LM	Respiratory system
3	YXJ	Respiratory system
4	Fluticasone Propionate Suspension for Inhalation	Respiratory system
5	Fudosteine Oral Solution	Respiratory system
6	Arformoterol Tartrate Nebules Inhalation Solution	Respiratory system
7	Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation	Respiratory system
8	Methacholine Chloride for Inhalation	Respiratory system
9	Procaterol Hydrochloride Granules	Respiratory system
10	Bromhexine Hydrochloride Injection	Respiratory system
11	Levosalbutamol hydrochloride Nebules Inhalation Solution	Respiratory system
12	Nintedanib Esilate Capsules	Respiratory system
13	Calcitriol Oral Solution	Muscle skeleton
14	Calcitriol Soft Capsules	Muscle skeleton
15	Ruxolitinib Phosphate Tablets	Muscle skeleton
16	Calcium Carbonate and Vitamin D3 Chewable Tablets	Muscle skeleton
17	Calcium Carbonate and Vitamin D3 Granules	Muscle skeleton
18	Vitamin D3	Muscle skeleton
19	Glucosamine Hydrochloride API	Muscle skeleton
20	AMB	Anti-infection

Financial Summary

	Generic Name of the Drugs	Therapeutic Area
21	Isavuconzonium Lyophilized Preparation	Anti-infection
22	Ornidazole Injection	Anti-infection
23	Emtricitabine and Tenofovir Alafenamide Fumarate Tablets	Anti-infection
24	Tenofovir Alafenamide Fumarate Tablets	Anti-infection
25	Letermovir Tablets	Anti-infection
26	Oseltamivir Phosphate Dry Suspension	Anti-infection
27	Tedizolid Phosphate Tablets	Anti-infection
28	Posaconazole Injection	Anti-infection
29	Sofosbuvir Tablets	Anti-infection
30	Cefixime Tablets	Anti-infection
31	Doripenem for Injection	Anti-infection
32	Tedizolid Phosphote for Injection	Anti-infection
33	Ceftazidime And Avibactam Sodium for Injection	Oncology
34	PBJ	Oncology
35	TQB3101	Oncology
36	TQB3139	Oncology
37	TQB3455	Oncology
38	TQB3525	Oncology
39	TQB3616	Oncology
40	Bevacizumab Solution for Injection	Oncology
41	Bicalutamide Tablets	Oncology
42	Rituximab Solution for Injection	Oncology
43	Nelarabine Injection	Oncology
44	Pertuzumab	Oncology
45	Palbociclib Capsules	Oncology
46	Pazopanib Tablets	Oncology
47	Pralatrexate Injection	Oncology
48	Trastuznmab	Oncology
49	Regorafenib Tablets	Oncology
50	Everolimus Tablets	Oncology

	Generic Name of the Drugs	Therapeutic Area
51	Dexrazoxane	Oncology
52	Degarelix Acetate for Injection	Oncology
53	Paclitaxel For Injection (Albumin Bound)	Oncology
54	TQB2450 (PD-L1)	Oncology
55	Propofol Medium and Long Chain Fat Emulsion Injection	Anesthesia and analgesia
56	Sugammadex Sodium	Anesthesia and analgesia
57	Mirabegron	Urinary system
58	Lanthanum Carbonate Chewable Tablets	Urinary system
59	FBP	Immune inflammation
60	Adalimumab Solution for Injection	Immune inflammation
61	Apremilast	Immune inflammation
62	Budesonide Extended Release Tablets	Immune inflammation
63	Dexlansoprazole Enteric – Coated Capsules	Immune inflammation
64	Obeticholic Acid Tablets	Others
65	Hai Wei An	Others
66	Hai Wei Shu	Others
67	Progesterone Sustained – Release Vaginal Gel	Others
68	KBP	Nervous system
69	LTP	Nervous system
70	SGI	Nervous system
71	Frovatriptan Succinate Tablets	Nervous system
72	Rocuronium Bromide Injection	Nervous system
73	Dexmedetomidine Hydrochloride Small Volume Injection	Nervous system
74	Dapagliflozin Tablets	Diabetes
75	Insulin Degludec Injection	Diabetes
76	Empagliflozin And Metformin Extended Release Tablets	Diabetes
77	Compounded Dapagliflozin and Metformin Extended Release Tablets	Diabetes
78	Linagliptin	Diabetes
79	Liraglutide Injection	Diabetes
80	Saxagliptin and Metformin Extended Release Tablets	Diabetes

Financial Summary

	Generic Name of the Drugs	Therapeutic Area
81	Sitaglitin and Metformin Extended Release Tablets	Diabetes
82	TQ05105	Fibrosis
83	Ogilvy and Mather Sodium Magnesium Chewable Tablets	Digestive system
84	Polaprezinc Granules	Digestive system
85	Linaclotide Capsules	Digestive system
86	Lubiprostone	Digestive system
87	Esmolol Injection	Cardio-cerebral vascular
88	Dabigatran Etexilate Mesylate Capsules	Cardio-cerebral vascular
89	Avatrombopag Maleate Tablets	Cardio-cerebral vascular
90	Macitentan Tablets	Cardio-cerebral vascular
91	Sacubitril Valsartan Sodium Tablets	Cardio-cerebral vascular
92	Urapidil	Cardio-cerebral vascular
93	Angiotensin II Injection	Cardio-cerebral vascular
94	Urapidil Hydrochloride Injection	Cardio-cerebral vascular
95	Nicorandil for Injection	Cardio-cerebral vascular
96	Eltrombopag Olamine Tablets	Blood disease
97	Polidocanol Injection	Blood disease
98	Roxadustat Capsules	Blood disease
99	Avatrombopag Maleate Tablets	Blood disease
100	Recombinant Human Coagulation Factor VII for Injection	Blood disease
101	Iopromide Injection	Contrast agent
102	Ferumoxytol Injection	Contrast agent
103	Gadobutrol Injection	Contrast agent
104	Gadoteridol Injection	Contrast agent
105	Microvesicle Sulfur Hexafluoride	Contrast agent
106	Indocyanine Green For Injection	Contrast agent

Chairwoman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to report the results of the Group for the year ended 31 December, 2021.

Chairwoman's Statement

INDUSTRY OVERVIEW

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

According to data from the National Bureau of Statistics in 2021, the operating sales of China's pharmaceutical manufacturing industry was RMB2,928.85 billion, a year-on-year increase of 17.83%; in 2021, the total profit of China's pharmaceutical manufacturing industry saw rapid growth and amounted to RMB627.14 billion, an increase of RMB276.47 billion from last year, a year-on-year increase of 78.84%.

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

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

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

BUSINESS REVIEW

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

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

Chairwoman's Statement

Highlights of results of the Group for the year:

Highlights of business

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

- In August 2021, Penpulimab (anti PD-1 monoclonal antibody) was given the green light for launch to market and application for indications including non-small cell lung cancer and nasopharyngeal carcinoma was completed. Phase III clinical research on use in treatment of hepatocellular carcinoma, gastric cancer and carcinoma of gastroesophageal junction are underway.

- In 2021, invention patents obtained by the Group exceeded 1,000 cumulatively.

- With contract signed with Minhang District in Shanghai, the Group announced that Mainland China headquarters of the Group and the global R&D headquarters of its subsidiary CT Tianqing will be established in Shanghai.

Highlights of product sales

- Therapeutic areas: The year-on-year increase of RMB3.2 billion in revenue in 2021 is mainly due to the contribution of RMB3.1 billion in the three therapeutic areas of oncology, cardio-cerebral vascular and respiratory system, and the negative impact of the price–cut offset by higher sales volume; among which, revenue of oncology products grew by 21% and amounted to RMB9.22 billion, representing approximately 34.3% of the Group's revenue, with a 4-year compounded annual growth rate of approximately 55.0%. It realized the full coverage of solid tumors, hemotological tumors, anti-angiogenosis and inmume fields, and help the sequent commercialization of the research pipeline.

- New products: products launched within 5 years amounted to approximately RMB12.1 billion, representing approximately 45% of the Group's revenue. It is a record high, with a 4-year compounded annual growth rate of approximately 58.0%.

- Innovative medicines: In 2021, Aniko was newly added. Total sales of 3 innovative medicines amounted to approximately RMB6.35 billion, representing approximately 24% of the Group's revenue, with a 4-year compounded annual growth rate of approximately 34.8%.

- Innovative drug Tianqingganmei becomes a payment reform pilot product of the National Healthcare Security Administration, and the restrictions of medical insurance reimbursement have been lifted. Tianqingsuchang, the first generic product of its kind launched in the market, won the bid in the fifth batch of centralized procurement.

- Impact of centralized procurement: The pressure of centralized procurement was within expectations. The impact of the first four batches of centralized procurement had been basically digested, and a new situation of normalization of centralized procurement has to be faced. The impact of the fifth batch of centralized drug procurement will continue to be digested in 2022.

Awards

- On 21 July, the 2021 MHIS was unveiled at the Yun'an Huidu International Conference Center in Kunming, Yunnan and the highlight of occasion was the reveal of the 2020 Top 100 Enterprises in China's Pharmaceutical Industry lists. Sino Biopharm ranked 2nd among the "2020 Top 100 Chemical Pharmaceutical Companies in China". As a leader and pioneer of China's pharmaceutical industry, Sino Biopharm has never rest on its laurels, but kept braving challenges, which has seen it ultimately assume leadership.

- On 18 September 2021, results of "2021 China Pharmaceutical R&D Strength Rankings" were announced at the "2021 Conference on High Quality Development of Health Industry and the 6th Summit for China Pharmaceutical R&D Innovation (PDI)". Among them, the "2021 Top 100 Enterprises in China – Comprehensive Strength in Medicine R&D" caught the most eyes for those on the list are the ones affording the highest standard of comprehensive R&D capabilities. CT Tianqing, a subsidiary of Sino Biopharm, placed second in the "2021 Medicine R&D Strength Ranking in China".

Poverty alleviation and disaster relief

- Continuous torrential rains wreaked havoc in Henan tugging at heartstrings. "When one place suffers misfortune, aid comes from all quarters". With a strong sense of social responsibility and a sense of mission as a pharmaceutical enterprise, Sino Biopharm donated RMB5 million in cash and emergency relief supplies worth RMB5 million through the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (LOCPG HK) to support emergency medical rescue efforts in Henan. Its hopes were to ensure no epidemic should surface after the catastrophe and to protect the life and physical and mental health of those affected by the disaster in Henan.

- On December 27, Sino Biopharm and its member companies Beijing Tide, CT Tianqing and CP Qingdao hosted a poverty alleviation and agricultural support activity in Beijing, "Procuring agricultural products to help revitalize rural areas". A procurement agreement of RMB2.75 million worth was signed with the Mengjiazhuang Village, Liuzhangzi Town, Chengde County, Chengde City, Hebei Province.

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

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

Chairwoman's Statement

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

FINANCIAL REVIEW

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

PROSPECTS

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

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

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

APPRECIATION

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

Management Discussion and Analysis

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

ONCOLOGY MEDICINES

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

HEPATITIS MEDICINES

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

CARDIO-CEREBRAL VASCULAR MEDICINES

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

ORTHOPEDIC MEDICINES

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

RESPIRATORY SYSTEM MEDICINES

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

PARENTERAL NUTRITIOUS MEDICINES

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

OTHERS

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

UNDERLYING PROFIT

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

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

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

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

During the year, the businesses of the Group's major investments were carried out smoothly and their performance was in line with expectation. Among them, Sinovac, a company which is mainly engaged in the R&D, production and sales of human vaccines and in which the Group holds 15.03% equity interests, performed particularly well. Its COVID-19 vaccine CoronaVac has been granted an emergency use or conditional marketing authorization in more than 60 countries, regions and international organizations and also included in the emergency use list of World Health Organization. Currently, the cumulative global supply exceeds 2.7 billion doses. The cumulative inoculation volume exceeds 2.3 billion doses in which more than 260 million doses of minors have been vaccinated. It becomes one of the most widely used COVID-19 vaccines in the world. Some clinical and real-world studies in the world show that CoronaVac has good safety and protection effects for children, teenagers, pregnant women, the elderly and people with chronic underlying diseases. Sinovac has entered vaccine production cooperation with partners in some countries, making positive contribution to improving the accessibility and affordability of COVID-19 vaccines and helping the prevention and control of the pandemic across the globe. Sinovac was treated as an associate in the financial statements of the Group and accounted for using the equity method. As at 31 December, 2021, the carrying amount of the investment in Sinovac accounted for approximately 21.3% (31 December, 2020: approximately 7.5%) of total assets of the Group. Due to the strong financial performance of individual associate, the associates and joint ventures as a whole contributed a profit of approximately RMB13,630.79 million in total to the Group during the year under review. After deducting related taxes of approximately RMB1,252.12 million, their actual profit contribution totaled approximately RMB12,378.67 million.

In 2020, the Group made capital contribution to Medlinker Limited ("Medlinker") of approximately US$514 million in total and acquired 13.09% interests in Medlinker. It was accounted for as financial assets at fair value through profit or loss in the financial statements of the Group. As at 31 December, 2021, the fair value of the investment in Medlinker was approximately RMB3,502.35 million (31 December, 2020: approximately RMB3,865.07 million), which accounted for approximately 5.8% (31 December, 2020: 8.2%) of total assets of the Group. The unrealized fair value loss on the investment in Medlinker was approximately RMB268.91 million for the year ended 31 December, 2021 (31 December, 2020: fair value gain of approximately RMB414.19 million). Medlinker is principally engaged in building China's leading internet hospital, providing chronic disease patients with long-term and standardized chronic disease management services, helping doctor, serving patients and actively building a complete closed loop of patient screening, follow-up visits, delivery of medicines, medicines insurance payment and out-of-hospital health management. Investment in Medlinker is a breakthrough point for the Group to deploy its internet medical strategy.

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

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

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

Each of the transactions of acquisition or disposal of wealth management products was entered into with third party who was not a connected person (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) of the Company, and did not constitute a notifiable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios were less than 5%, calculated either on a standalone basis or by aggregation of the transactions with the same counterparty pursuant to the Rule 14.22 of the Listing Rules.

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

R&D

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

Management Discussion and Analysis

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

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

INVESTOR RELATIONS

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

CAPITAL STRUCTURE

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

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

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

ASSETS AND GEARING RATIO

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

EMPLOYEE AND REMUNERATION POLICIES

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

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

Management Discussion and Analysis

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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

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

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

Corporate Governance Report

Sino Biopharmaceutical Limited is pleased to present the Corporate Governance Report. The Company is committed to achieving high standards of governance that properly protects and promotes the interests of all shareholders and enhances corporate value and accountability.

For the year ended 31 December, 2021, the Company has applied the principles of and complied with all the Code Provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from Code Provisions E.1.2 and A.6.7 in relation to attendance of the annual general meeting of the Company (the "AGM") by the chairwoman of the board of directors (the "Board") and Independent Non-executive Directors ("INED(s)") of the Company. The chairwoman of the Board and three INEDs were unable to attend the AGM held on 7 June, 2021 due to other business engagements.

Despite the removal of the requirement for qualified accountant on 1 January, 2009, the Company continues to engage qualified accountants to oversee its finance, accounting and financial reporting functions.

This report describes our corporate governance code and explains the application of the CG Code and any deviation from the CG Code, if any. For information relating to the Company's environmental and social performance, please refer to the Company's 2021 Environmental, Social and Governance Report to be separately posted on the websites of the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange").

A. BOARD OF DIRECTORS

THE BOARD

The Board is accountable to the shareholders for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with particular attention paid to the financial performance and sustainable development of the Group.

The Board has determined that certain matters such as strategic planning, significant transactions and annual budget should be retained for the Board's approval. It has formalised the functions reserved to the Board to achieve a clear division of the responsibilities of the Board and the management. The Board has delegated its responsibilities to senior management to deal with day-to-day operations and reviewed those arrangements on a periodic basis. Management then reports back to the Board and obtains prior approval before making decisions for key matters or entering into any material commitments on behalf of the Company. The Board has conducted regular review on the contribution required from a director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing them.

To maximise the efficiency of the Board and to encourage active participation and contribution by Board members, the Board has established an Executive Board Committee (the "EBC"), the Audit Committee (the "AC"), the Remuneration Committee (the "RC"), the Nomination Committee (the "NC"), and the Environmental, Social and Governance Committee (the "ESGC") with specific terms of reference, which are on terms no less exacting than those set out in the CG Code, to assist in the execution of their duties. The written terms of reference of the committees are reviewed and amended, if necessary, from time to time on the committees' structure, duties and memberships, and those of each of the AC, the RC and the NC have been posted on the websites of the Company and the Stock Exchange.

The Company Secretary and the Qualified Accountant shall, where appropriate and necessary, attend all meetings of the Board/committees to advise on corporate governance, statutory compliance, accounting and financial matters. All directors have access to the Company Secretary who is responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeover and Mergers and Share Repurchases, Securities and Futures Ordinance, Companies Ordinance and other applicable laws, rules and regulations.

All directors are given opportunities to include matters to be discussed in the agenda of the Board/ committees meetings. The Company Secretary is delegated with the responsibility to prepare the agenda and, where appropriate, take into account any matters proposed by each director/committee member for inclusion in the agenda.

The Board meets regularly and at least four board meetings are scheduled annually at approximately quarterly intervals. Ad-hoc meetings are also convened when they are considered necessary. Directors are encouraged to participate actively either in person or through electronic means of communications. Notices of regular Board/committees meetings were given at least 14 days before the date of meeting. For all other Board/committees meetings, reasonable notices were given.

Other than exceptional circumstances, an agenda accompanied by any related materials are circulated to all directors in a timely manner and at least 3 days before the date of the scheduled meeting. Where queries are raised by directors, response should be given as promptly and fully as possible within a reasonable time.

Minutes of the Board/committees meetings are recorded in details for the matters considered by the participants of such meetings and the decisions reached, including concerns raised by directors or dissenting views expressed. Draft and final versions of minutes are circulated to relevant directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. They are kept by the Company Secretary or Secretary of the committees and are open for inspection at any reasonable time on reasonable notice by any director. All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

Directors are provided with complete and adequate explanation and information on a timely basis to enable them to make an informed decision or assessment of the Group's performance, position and prospects and to discharge their duties and responsibilities. The directors, in order to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company. Sufficient time are allowed for discussion of key issues in Board meetings and directors with different views are encouraged to voice their concerns to ensure that the necessary checks and balances consistent with sound corporate governance practices are in place.

If a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a physical Board meeting and the interested director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. INEDs who have no interests in the transaction shall be present at that Board meeting.

BOARD COMPOSITION

As at 31 December, 2021, the Board consisted of a total of nine executive directors, including the Chairwoman and the Chief Executive Officer ("CEO"), and five INEDs.

Position		Name
Chairwoman	:	Ms. Tse, Theresa Y Y
Executive directors	:	Mr. Tse Ping
	:	Ms. Cheng Cheung Ling
	:	Mr. Tse, Eric S Y
	:	Mr. Tse Hsin
	:	Mr. Li Yi (CEO)
	:	Mr. Wang Shanchun
	:	Mr. Tian Zhoushan
	:	Ms. Li Mingqin
INEDs	:	Mr. Lu Zhengfei
	:	Mr. Li Dakui
	:	Ms. Lu Hong
	:	Mr. Zhang Lu Fu
	:	Dr. Li Kwok Tung Donald

The attributes, skills and expertise among the Board members have a balanced mix of core competencies in areas such as pharmaceutical, accounting and finance, business and management and marketing strategies.

INEDs constituting more than one-third of the total number of the Board members have contributed valuable independent views and proposals for the Board's deliberation and decisions. The INEDs meet the requirements of independence under the Listing Rules, providing a sufficient element of independence in the Board to exercise independent judgements. The Board considers that all INEDs are independent and has received from each of them a confirmation of independence as required by the Listing Rules.

The INEDs have the same duties of care and skill and fiduciary duties as the executive directors. The functions of INEDs include, but not limited to:

- participating in Board meetings to bring an independent judgement to bear on issues of corporate strategy, corporate performance, accountability, resources, key appointments and standard of conducts;
- taking the lead where potential conflicts of interests arise;
- serving and actively participating in committees, if invited;
- attending general meetings of the Company and developing a balanced understanding of the views of shareholders; and
- scrutinising the Group's performance in achieving agreed corporate goals and objectives and monitoring the reporting of results.

CORPORATE GOVERNANCE FUNCTIONS

The Board shall be responsible for the following functions:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring training and continuous professional development of directors and senior management;
- reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements;
- reviewing the Company's compliance with the CG Code, including disclosure in the Corporate Governance Report;
- developing and reviewing the code of conduct and compliance manual, if any, applicable to employees and directors;
- doing any such things to enable the Board committees to discharge their duties and functions;
- conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation; and
- considering and making recommendations on any other corporate governance issues.

CHAIRWOMAN AND CHIEF EXECUTIVE

The CG Code Provision A.2.1 stipulates that the roles of Chairwoman and chief executive should be separate and should not be performed by the same individual. Ms. Tse, Theresa Y Y is the Chairwoman and Mr. Li Yi serves as CEO of the Company.

The Chairwoman is responsible for overseeing the operations of the Board and formulating overall strategies and policies of the Company. The Chairwoman also seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

The CEO is responsible for managing the Group's business and operations.

The relationship of Ms. Tse, Theresa Y Y with other members of the Board is provided in the Directors and Senior Management Profile section on pages 54 to 60 of this annual report. Mr. Li Yi has no relationship with any directors of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL

The Company has formal and proper procedure for consideration of the appointment of new directors to the Board and the resignation of any director.

The Executive Directors have not been appointed for a specific term while each of the INEDs has been appointed for a term of two years. All Directors shall be subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company (the "Articles"), the laws of the Cayman Islands and the Listing Rules so far as the same may be applicable. The Articles provide that (i) one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third shall be subject to retirement by rotation provided that every director shall be subject to retirement by rotation at least once every three years; and (ii) the directors to retire by rotation shall include any director who wishes to retire and not to offer himself/herself for re-election. The retiring directors shall be those who have been longest in office since their last re-election or appointment.

The name and biographical details of the directors who will offer themselves for re-election at the forthcoming AGM are set out in a circular accompanying the notice of meeting, which will be despatched together with the annual report, to assist shareholders in making an informed decision on their elections.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors

Newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, in order to make sure that he/she has appropriate understanding of the business and operations of the Company and is fully aware of his/her responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

Pursuant to CG Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all directors, being nine Executive Directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Li Yi, Mr. Wang Shanchun, Mr. Tian Zhoushan and Ms. Li Mingqin, and five INEDs, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong, Mr. Zhang Lu Fu and Dr. Li Kwok Tung Donald, have participated in continuous professional development by reading relevant materials on the topics related to corporate governance and regulations and obtained monthly updates on the financial performance and financial position of the Company from the Company's Qualified Accountant.

Company Secretary

The Company Secretary is responsible for facilitating the Board process, as well as communications among the Board members, shareholders and management. Mr. Chan Oi Nin Derek serves as the Company Secretary. He is a full time employee of the Company and possesses the professional qualifications as required under Rule 3.28 of the Listing Rules. He has taken no less than 15 hours of relevant professional training during the year under review to update his knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

COMMITTEES

The AC was established on 19 September, 2000. The EBC and the RC were established in October, 2005, and the NC and the ESGC was set up on 30 March, 2012 and 31 August, 2021, respectively.

Executive Board Committee

During the year ended 31 December, 2021, the EBC consisted of Ms. Tse, Theresa Y Y as chairwoman and Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, and Mr. Tse Hsin as members.

The EBC meets as and when required to oversee the day-to-day management of the Group.

All resolutions or recommendations approved by the EBC will be reported to the Board, unless there are legal or regulatory restrictions.

Remuneration Committee

During the year, Mr. Zhang Lu Fu served as the chairman and Mr. Lu Zhengfei and Ms. Lu Hong served as members of the committee.

The principal functions of the RC include:

- recommending to the Board on the policies and structure of the remuneration of directors of the Company and senior management of the Group;
- recommending to the Board on the remuneration packages of individual executive directors and senior management;
- reviewing and approving their performance-based remuneration;
- reviewing the compensation to directors and senior management in connection with any loss or termination of their office or appointment; and
- ensuring that no director or any of his/her associates are involved in deciding his/her own remuneration.

The RC held one meeting during the year to discuss and review the basis of the remuneration policies and packages of the directors of the Company and senior management of the Group. Emoluments of directors are determined by reference to the skills, experiences, responsibilities, employment conditions and time-commitment in the Group's affairs and performance of each director as well as salaries paid by comparable companies and the prevailing market conditions.

Information relating to the remuneration of each director for the year under review is set out in note 8 to the financial statements of this annual report.

Audit Committee

During the year, the AC consisted of Mr. Lu Zhengfei as chairman, and Mr. Li Dakui, Ms. Lu Hong, and Dr. Li Kwok Tung Donald as members. The members together have sufficient accounting and financial management expertise and legal and business experience to discharge their duties.

The major duties and responsibilities of the AC are set out clearly in its terms of reference, which include:

- considering and recommending the appointment, re-appointment and removal of external auditors;
- approving the remuneration and terms of engagement of external auditors;
- discussing with external auditors the independence and reporting obligations of auditors and the nature and scope of audit before the audit commences;
- monitoring the integrity of financial statements and reviewing the quarterly, interim and annual financial statements and reports before submission to the Board;
- reviewing the Group's financial controls, internal control and risk management systems;
- considering any findings of major investigations for internal control matters as delegated by the Board or on its own initiative and management's response;
- reviewing external auditors' management letter or any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response, and ensuring that the Board will provide a timely response to the issues raised; and
- discussing with management to ensure that management has reviewed if there is adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions.

The AC performed the following work during the year under review:

- met with management and external auditors to review and discuss the financial statements for the year ended 31 December, 2021;
- reviewed with management the unaudited financial statements for the three months ended 31 March, 2021 and the six months ended 30 June, 2021, respectively;
- met with external auditors to review the external auditors' plan for statutory audit and engagement letter;
- recommended to the Board, for the approval by shareholders, of the re-appointment of auditors;
- reviewed the findings and recommendations of the internal audit department on the operations and performance of the Group;

- reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function; and

- discussed with management to ensure that the Board had conducted an annual review such that there was adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions.

Nomination Committee

During the year, the NC consisted of Ms. Tse, Theresa Y Y as chairwoman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong, Mr. Zhang Lu Fu, and Dr. Li Kwok Tung Donald as members.

The NC has set out in its terms of reference the major duties and responsibilities as follows:

- formulating a formal and transparent procedure for developing nomination policies for approval by the Board, which shall take into consideration factors such as skills, knowledge, experiences, length of service, description of the role and capabilities required for a particular appointment;

- reviewing the structure, size and composition (including the mix of skills, knowledge, experience and length of service and diversity needed) of the Board at least annually; and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- making recommendation to the Board on formulation of the board diversity policy and reviewing the policy from time to time to ensure its continued effectiveness;

- establishing guidelines for the recruitment of the chief executive and senior management and identifying leadership needs of and succession planning for the Company in relation to both directors and other senior executives;

- identifying individuals suitably qualified to become board members or make recommendations to the Board on the selection of individuals nominated for directorship. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules will be assessed to determine whether the nomination is suitable;

- assessing the independence of the INEDs and reviewing the INEDs' annual confirmations on their independence;

- making recommendations to the Board on the re-appointment of any INED at the conclusion of his/her specified term of office; and

- making recommendations to the Board on matters relating to any actual or potential conflict of interests of directors (including prohibition of voting by the interested director).

During the year under review, no physical meeting of the NC was held. However, by way of exchanging correspondence and reviewing the relevant documents, the NC had (i) reviewed the structure, size and composition of the Board in accordance with the Company's board diversity policy, (ii) assessed the independence of all INEDs, and (iii) reviewed the profiles and contributions of the retiring directors.

Environmental, Social and Governance Committee

To promote the continuous improvement of the Company's management and performance of its environment, social and governance ("ESG") policies and practices, the ESG Committee was established by the Board on 31 August, 2021. The NC consists of Ms. Cheng Cheung Ling as chairwoman and Ms. Li Mingqin and Dr. Li Kwok Tung Donald as members.

The major duties and responsibilities of the ESGC are set out in its terms of reference, which include:

- proposing and recommending to the Board on the Company's ESG and sustainability objectives, strategies, priorities, initiatives, goals and targets;

- overseeing, reviewing and evaluating actions taken by the Group in furtherance of the ESG and sustainability priorities, goals and targets, including coordinating with the business units and operating subsidiaries of the Company and ensuring that their operations and practices adhere to the relevant priorities and goals;

- reviewing and reporting to the Board on ESG and sustainability risks and opportunities, and monitoring, evaluating and reviewing emerging ESG and sustainability-related issues, trends and best practices that could impact the business operations and performance of the Group;

- considering the impact of the Company's ESG and sustainability on its stakeholders, including employees, shareholders, local communities and the environment; and

- reviewing and advising the Board on the Company's public communication, disclosure and publications (including the ESG Report) regarding its ESG and sustainability performance.

During the year under review, the ESGC has established a ESG Work Management Committee comprising members of heads of major business units and operating subsidiaries of the Company, who are involved in ESG management roles, to fully implement the ESG policies and practices of the Company.

BOARD DIVERSITY POLICY

The board diversity policy of the Company sets out the approach for achieving diversity of the Board, including but not limited to the appropriate balance of skills, experience and diversity of perspectives that are required to support the attainment of the Company's strategic objectives and the sustainable development of the Company. Board diversity is regarded by the Company as an essential component for wider and more comprehensive corporate governance framework.

The NC of the Company may make recommendations to the Board for identifying the necessary criteria when considering appointment of new directors of the Company. Selection of appropriate candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the anticipated merit and contribution that the selected candidate will bring to the Board.

The current composition of the Board is characterized by a balanced mix of gender, age and professional experience. The NC of the Company shall review the diversity of the Board at least annually and make recommendation to the board on adjustments for the board diversity policy if necessary such that the policy best suits the needs of the Company.

BOARD AND COMMITTEE MEETINGS ATTENDANCE

The Board held three regular meetings for discussion of the Company's financial results and two ad-hoc meeting in 2021. Details of the attendance of individual director at the Board meetings, committee meetings and general meeting during the year under review are set out below:

	Number of meeting(s) attended/held			
Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors				
Ms. Tse, Theresa Y Y	5/5	N/A	N/A	0/1
Mr. Tse Ping	5/5	N/A	N/A	0/1
Ms. Cheng Cheung Ling	5/5	N/A	N/A	0/1
Mr. Tse, Eric S Y	5/5	N/A	N/A	0/1
Mr. Tse Hsin	5/5	N/A	N/A	0/1
Mr. Li Yi	5/5	N/A	N/A	1/1
Mr. Wang Shanchun	0/5	N/A	N/A	0/1
Mr. Tian Zhoushan	4/5	N/A	N/A	0/1
Ms. Li Mingqin	5/5	N/A	N/A	0/1
Independent Non-Executive Directors				
Mr. Lu Zhengfei	4/5	3/3	1/1	0/1
Mr. Li Dakui	4/5	3/3	N/A	0/1
Ms. Lu Hong	5/5	3/3	1/1	0/1
Mr. Zhang Lu Fu	5/5	3/3	1/1	1/1
Dr. Li Kwok Tung Donald	5/5	3/3	N/A	1/1
Number of meeting(s)	5	3	1	1

SECURITIES TRANSACTIONS BY DIRECTORS AND OFFICERS

The Company has adopted a code of conduct regarding securities transactions by directors and senior management/employees (the "Code") on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules (the "Model Code"). Save as described below, having made specific enquiry of all directors, it was confirmed that for the year under review, all directors have complied with the required standard set out in the Model Code and the Code regarding securities transactions by directors adopted by the Company.

An INED was not aware that he held 70,000 shares in the Company ("Shares"), upon his appointment in late December, 2020, and therefore failed to make the required notification to the Company. The INED subsequently purchased 5,000 Shares from the market and sold a total of 4,000 Shares on the market in January, 2021, without prior notification in writing to and receipt of written acknowledgement from the Chairwoman of the Board as required under Rule B.8 of the Model Code. He became aware of his holding of and transactions in Shares in March, 2021 and notified the Company accordingly. The INED has reported that the non-compliance with Rule B.8 of the Model Code was inadvertent and confirmed that he will act in strict compliance with the Rule in the future. The Company will regularly remind the directors of the requirements of the Model Code and the importance of strict compliance with the Model Code.

Management/employees as defined in the Code who because of their employment possess any inside information at any time are prohibited from dealing in securities of the Company to the same extent as directors.

INSURANCE COVER FOR DIRECTORS' LIABILITIES

The Company has arranged directors' and officers' liability insurance for all directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis.

REMUNERATION OF SENIOR MANAGEMENT

There were 6 employees classified as senior management for the year ended 31 December, 2021. The details of the remuneration of senior management were disclosed as below:

	Amount of remuneration for the year			
	RMB0 – RMB1,000,000	RMB1,000,001 – RMB1,500,000	Above RMB1,500,000	Total number
Number of senior management	–	1	5	6

B. ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Company and the Group, with supporting assumptions or qualifications as necessary. The directors also ensure the timely publication of the financial statements of the Company.

The management provides explanation and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavors to ensure a balanced, clear and understandable assessment of the Company's position and prospects when the Company extends financial reports and other information to general public and regulators pursuant to the Listing Rules and other statutory requirements.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for managing business and operational risks and maintaining a proper and effective system of internal control to safeguard the Group's assets.

An internal audit department has been established to review major operational and financial systems of the Group on a continuing basis and it aims to cover all significant functions within the Group in each financial year. The scope of the internal audit department's review and the audit programmes have been approved by the Audit Committee. The department reports directly to the Audit Committee and the Chief Executive Officer, and submits regular reports for their review in accordance with the approved programmes. For the year ended 31 December, 2021, the directors had conducted an annual review of the effectiveness of the Group's systems of risk management and internal control covering all material functions, including finance, operations, and compliance. Based on the results of the review, the directors considered that such systems were effective and adequate.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures are subject to the overall budget control and are controlled by each business unit with approval levels for such expenditures being set by reference to each executive's and officer's level of responsibility. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval by the directors are required for unbudgeted expenditures prior to commitment.

The Board had also conducted a review of and was satisfied with the findings on the adequacy of resources, qualifications and experience, training programmes and budget of staff of the Group's accounting and financial reporting functions for the year under review.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Group's external auditors is set out as follows:

	Fee paid/ payable for the year (RMB'000)
Services rendered	
Audit services	6,000
Non-audit services	39

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual and interim reports, results announcements, other announcements and circulars made through the Company's and Stock Exchange's websites.

The Company has established a comprehensive communication policy with shareholders to ensure that shareholders are provided with timely access to the balanced and understandable information about the Company. The policy has been reviewed annually by the Board to ensure its effectiveness. Based on the results of the review, the process of which included collating feedback from various stakeholders such as shareholders, investors and analysts, the Board considered that the policy was effective and adequate.

AGM or other general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairwoman of the Board as well as the chairmen of the AC and/or RC, or in their absence, members of the committees or senior management of the Company shall be available to answer shareholders' questions. The chairman of the independent board committee shall also attend the general meetings for approving a connected transaction or any transaction that is subject to independent shareholders' approval.

During the year under review, at the 2021 AGM, directors including the CEO were present at the meeting and answered questions raised by shareholders. A representative from the external auditors, Messrs. Ernst & Young, also attended the 2021 AGM and was available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditors' report. All resolutions at the 2021 AGM were passed by way of poll and the notice of the AGM was sent to shareholders at least 20 clear business days before the meeting.

SHAREHOLDERS' RIGHT

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

Pursuant to article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

Pursuant to article 88 of the Articles, no person other than a director retiring at an annual general meeting pursuant to Article 86(3) shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Accordingly, if a shareholder of the Company wishes to nominate a person to stand for election as a director, the following documents must be validly served on the Company, namely: –

- a notice of intention to propose a resolution; and
- a notice signed by the nominated candidate of his willingness to be elected together with the candidate's information required to be disclosed under rule 13.51(2) of the Listing Rules and the candidate's written consent to the publication of his personal data together with the certified true copies of identification card or passport, residential address proof and education certificates.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year ended 31 December 2021. Resolutions for amendments to the Company's Articles will be proposed at the forthcoming AGM, the details of which are set out in the circular of the Company dated 29 April 2022.

DIVIDEND POLICY

The Company adopts a dividend policy of providing shareholders with stable and sustainable dividends. The dividend payment will be based on the Company's financial performance and cash flows, future capital requirements, general economic and business conditions, etc. Whilst the Company does not intend to set any pre-determined dividend distribution ratio in order to allow for financial flexibility, the Company endeavors to strike a proper balance between shareholders' interests and prudent capital management and aims to deliver sustainable dividends that are in line with earnings improvement and long-term growth of the Company.

ENQUIRIES TO THE BOARD

Enquiries may be put forward to the Board through the Company's head office at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Company regularly releases latest corporate news of the Group on its website at www.sinobiopharm.com. The public are welcome to give comments and make enquiries through the Company's website.

Report of Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December, 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December, 2021 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 68 to 172.

The payment for the first quarterly dividend of HK$0.02 per ordinary share of the Company ("Share") and the interim dividend of HK$0.02 per Share, totaling approximately HK$754,460,000 (equivalent to approximately RMB623,338,000) was made during 2021.

The directors recommend the payment of a final dividend of HK$0.04 per Share in respect of the year ended 31 December, 2021 to shareholders on Tuesday, 12 July, 2022.

The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the forthcoming annual general meeting of the Company ("AGM").

CLOSURE OF REGISTER OF MEMBERS

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

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

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

Report of Directors

BUSINESS REVIEW

A review of the business of the Group and analysis of the Group's performance during the year, including a description of the principal risks and uncertainties facing the Group and financial key performance indicators, is provided in the Chairwoman's Statement and Management Discussion and Analysis sections on pages 15 to 28 of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities, net assets and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2021 RMB'000	2020 RMB'000	2019 RMB'000 (Restated)	2018 RMB'000 (Restated)	2017 RMB'000 (Restated)
REVENUE	26,861,356	23,647,224	24,234,030	21,472,122	18,325,878
Cost of sales	(5,332,095)	(5,182,320)	(4,926,268)	(4,291,133)	(3,622,808)
Gross profit	21,529,261	18,464,904	19,307,762	17,180,989	14,703,070
Other income and gains	1,068,929	1,241,223	862,603	887,796	680,734
Selling and distribution costs	(10,518,393)	(8,972,635)	(9,319,541)	(8,277,054)	(7,170,818)
Administrative expenses	(2,185,234)	(2,655,926)	(2,477,418)	(2,252,313)	(2,165,033)
Other operating expenses	(4,644,063)	(2,737,921)	(2,564,249)	(2,419,844)	(1,602,428)
Including: Research and development costs	*(3,677,259)*	*(2,626,709)*	*(2,398,712)*	*(2,124,040)*	*(1,595,312)*
Finance costs	(308,617)	(323,368)	(229,950)	(151,476)	(80,653)
Share of profits and losses of associates and a joint venture	13,630,790	(3,233)	111,385	(63,902)	7,294
PROFIT BEFORE TAX	18,572,673	5,013,044	5,690,592	4,904,196	4,372,166
Income tax expenses	(1,957,880)	(672,377)	(902,747)	(748,725)	(691,756)
PROFIT FOR THE YEAR	16,614,793	4,340,667	4,787,845	4,155,471	3,680,410
Attributable to:					
Owners of the parent	14,608,412	2,771,086	2,761,542	2,390,096	2,518,569
Non-controlling interests	2,006,381	1,569,581	2,026,303	1,765,375	1,161,841
	16,614,793	4,340,667	4,787,845	4,155,471	3,680,410
TOTAL ASSETS	60,543,337	47,210,438	37,514,192	29,031,350	25,750,672
TOTAL LIABILITIES	(22,814,314)	(24,790,880)	(16,953,010)	(11,252,131)	(9,636,893)
NET ASSETS	37,729,023	22,419,558	20,561,182	17,779,219	16,113,779
NON-CONTROLLING INTERESTS	(7,437,907)	(5,672,398)	(5,611,937)	(4,757,776)	(5,190,400)

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital and share options (if any) during the year, together with the reasons therefor, are set out in notes 32 and 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

Pursuant to the rules of the share award scheme adopted by the Company on 5 January, 2018 (the "2018 Share Award Scheme"), the trustee of 2018 Share Award Scheme purchased on the Stock Exchange a total of 44,950,000 Shares at a total consideration of approximately HK$247,523,000 during 2021.

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in notes 34 and 44 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December, 2021, the Company's reserves, including share premium account, available for cash distribution/or distribution in specie, and after taking into account for the proposed final dividend of approximately RMB623,338,000 (2020: approximately RMB223,931,000), amounted to approximately RMB7,208,698,000 (2020: approximately RMB5,258,683,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to implement its environment friendly policies through efficient use of resources and active adoption of measures to reduce environmental impacts. An environment, health and safety management system has been established to conduct environmental impact assessment of new production facilities at the major subsidiaries of the Company. During the production process, the Group has implemented procedures on energy conservation, emission reduction, waste water and solid waste disposal for environmental protection. The Group has also encouraged its staff to be environment friendly by consuming electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Through such policies and compliance with applicable environmental laws and regulations, the Group continues to improve its environmental performance to achieve sustainable development.

The Company will publish an Environmental, Social and Governance Report in accordance with Rule 13.91 and the reporting guide contained in Appendix 27 to the Listing Rules no later than five months after the end of the financial year.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that stakeholder interests play a key role in its sustainable business operation and has maintained effective communications with its key stakeholders, including customers, suppliers and employees to strengthen relationships and co-operations for the long-term development of the Group.

The customers of the Group comprise distributors and hospitals. The Group actively promotes and obtains feedbacks on its products by organizing seminars and new product launching conferences. After-sale services are provided through telephone consultation and complaint handling. The Group is devoted to the provision of quality products and services to promote long-term co-operation with its customers so as to increase market share and improve market competitiveness.

The Group adopts a scientific approach in managing its suppliers through a standardized supplier management system with improved procurement tender mechanism. Annual evaluation on suppliers is conducted to ensure that services and products procured meet the requirements of the Group.

Employees are considered as the most important and valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize employees by providing competitive remuneration packages and implementing a sound performance evaluation system, and to promote career development and progression within the Group by providing adequate training and opportunities. A healthy, safe and happy working environment is also provided through the safety management system, cultural and sports activities and health examinations.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group operates its business through its subsidiaries in the PRC and accordingly, relevant laws and regulations in the PRC applicable for the research, development, manufacturing, sales and distribution of pharmaceutical products, including but not limited to the laws and regulations on quality, safety, production, environmental protection, intellectual property and labour, shall be complied with. In addition, as a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, the Company is governed by the Companies Law of the Cayman Islands, as well as the Listing Rules and the Securities and Futures Ordinance.

During the year ended 31 December, 2021, to the best knowledge of the Board, the Group does not have any incidence of non-compliance with the relevant laws and regulations that would have a significant impact on the Group's business and operations.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Ms. Tse, Theresa Y Y
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin
Mr. Li Yi
Mr. Wang Shanchun
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent non-executive directors:
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

In accordance with Article 87 of the Articles, Ms. Tse, Theresa Y Y, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Lu Zhengfei and Mr. Li Dakui will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to the independence guidelines under the Listing Rules and the Company considers such directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 54 to 60 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 39 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December, 2021, the interests and short positions of each Director and chief executive 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

			Number of shares held, capacity and nature of interest			
Name of Director	Notes	Capacity/Nature of interest	Directly beneficially owned	Through controlled corporations	Total	Approximate percentage of the Company's issued share capital
Ms. Tse, Theresa Y Y	(1)	Beneficial owner	–	2,279,254,761	2,279,254,761	12.10%
Mr. Tse Ping	(2)	Beneficial owner	161,618,000	1,459,785,124	1,621,403,124	8.60 %
Ms. Cheng Cheung Ling	(3)	Beneficial owner	205,034,750	675,000,000	880,034,750	4.67%
Mr. Tse, Eric S Y	(4)	Beneficial owner	–	4,050,000,000	4,050,000,000	21.50%
Mr. Tse Hsin		Beneficial owner	174,247,000	–	174,247,000	0.92%
Mr. Li Yi		Beneficial owner	230,000	–	230,000	0.00%
Dr. Li Kwok Tung Donald		Beneficial owner	70,000	–	70,000	0.00%

Notes:

(1) Ms. Tse, Theresa Y Y held 2,279,254,761 Shares through France Investment (China 1) Group Limited, 91.33% of the issued share capital of which is owned by Ms. Tse, Theresa Y Y.

(2) Mr. Tse Ping held 1,459,785,124 Shares through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.

(3) Ms. Cheng Cheung Ling held 675,000,000 Shares through Chia Tai Bainian Holdings Limited, the entire issued share capital of which is owned by Ms. Cheng Cheung Ling.

(4) Mr. Tse, Eric S Y held 2,362,500,000 Shares and 1,687,500,000 Shares through Thousand Eagles Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Mr. Tse, Eric S Y.

Long position in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Hsin	CT Tianqing	Beneficial owner	229,250	0.18%
	NJCTT	Beneficial owner	26,583	0.53%

Saved as disclosed above, as at 31 December, 2021, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS WHO HAVE AN INTEREST AND/OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2021, the following persons (not being a Director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under to Section 336 of the SFO were as follows:

Interests in shares and/or underlying shares

Name	Notes	Capacity/Nature of Interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Thousand Eagles Limited	(1)	Beneficial owner	2,362,500,000 (L)	12.54%
France Investment (China 1) Group Limited	(2)	Beneficial owner	2,279,254,761 (L)	12.10%
Remarkable Industries Limited	(1)	Beneficial owner	1,687,500,000 (L)	8.96%
Validated Profits Limited	(3)	Beneficial owner	1,459,785,124 (L)	7.75%
Citigroup Inc.		Interest in controlled corporation	37,715,912 (L)	0.20%
		Interest in controlled corporation	43,301,478 (S)	0.23%
		Approved lending agent	923,315,523 (P)	4.90%

Notes:

(1) Each of Thousand Eagles Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Mr. Tse, Eric S Y.

(2) France Investment (China 1) Group Limited is an investment holding company owned as to 91.33% by Ms. Tse, Theresa Y Y.

(3) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping.

(4) The letter "L" indicates a long position, the letter "S" indicates a short position, and the letter "P" indicates interests in a lending pool.

Save as disclosed above, as at 31 December, 2021, no person (not being a Director or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the heading "Directors' and Chief Executives' interests and short positions in share, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights through any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as set out in note 39 to the financial statements are fully-exempt from annual review and all disclosure requirements pursuant to Rule 14A.76(1) of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31 December, 2021.

On 9 April, 2019, the Company, as borrower, and certain financial institutions entered into a facility agreement (the "2019 Facility Agreement") in relation to a term loan facility in the aggregate principal amount of USD1,000,000,000. On 1 December 2021, the Company as borrower entered into another facility agreement (the "2021 Facility Agreement") with certain financial institutions for the grant of senior term loan and revolving credit facilities in an aggregate amount of USD1,000,000,000. Pursuant to the respective terms of the 2019 Facility Agreement and the 2021 Facility Agreement, the Company has undertaken, among others, to ensure that certain shareholdings in the Company and control on the Board of the Company will be retained by Mr. Tse Ping, Ms. Cheng Cheung Ling, Ms. Tse, Theresa Y Y, and Mr. Tse, Eric S Y, all being Directors and/or substantial shareholders of the Company, and their respective family members. Details of these performance covenants were disclosed in the announcements of the Company dated 10 April, 2019 and 1 December, 2021, respectively.

CONVERTIBLE BONDS

On 17 February, 2020, the Company completed the issuance and listing of EUR750,000,000 zero coupon convertible bonds due 2025 ("Convertible Bonds") by way of debt issues to professional investors only. The net proceeds from the Convertible Bonds are used by the Group for research and development expenditure, construction of manufacturing facilities, sales and marketing and general corporate purposes.

During 2021, Convertible Bonds having an aggregate principal amount of EUR37,500,000 were repurchased and cancelled by the Company in accordance with the terms and conditions of the Convertible Bonds. Following the bonus issue of Shares approved by the shareholders of the Company in July, 2020 and the various payments of dividends by the Company during years 2020 and 2021, the conversion price of the Conversion Bonds was adjusted successively from HK$19.09 to HK$12.56 per Share under the terms and conditions of the Convertible Bonds. The maximum number of Shares issuable by the Company upon conversion of all the outstanding Convertible Bonds amounted to 488,590,067 Shares as at 31 December, 2021 and no conversion had been made up to that date.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Details of the share option scheme and share award scheme adopted by the Company are set out in note 33 to the financial statements. No share options or share award had been granted to any participant under the schemes since their adoption up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December, 2021.

UNDERTAKING

Mr. Tse Ping has executed a deed of undertaking (the "Undertaking") in favour of the Company on 9 September, 2003 which has become effective upon the commencement of trading in shares of the Company on the Main Board of the Stock Exchange.

Pursuant to the Undertaking, Mr. Tse has undertaken to the Company that, conditional upon the commencement of trading in the Shares on the Main Board, for so long as (i) Mr. Tse, together with his associates, shall remain beneficially interested, directly or indirectly, in Shares with at least 30 per cent. of the voting rights of the Company (from time to time), and (ii) the Shares shall remain traded on the Main Board, neither Mr. Tse nor any of Mr. Tse's Companies (excluding for this purpose the Group) will, within the Territory (as defined below), carry on, become engaged or otherwise become interested (saved through Mr. Tse's interest in the Company) directly or indirectly in, any business which falls within the Restricted Business (as defined below); and

For the purpose of the Undertaking:–

"Mr. Tse's Company(ies)" refers to any of the companies or other entities of which more than 50 per cent. of the issued shares or equity of other nature carrying voting rights are directly or indirectly owned by Mr. Tse or regarding which companies or entities Mr. Tse is entitled to control the board of directors or management body of similar nature;

"Restricted Business" refers to:–

(i) the R&D, production and sale of biopharmaceutical products for the medical treatment of ophthalmia and osteoarthritis, biopharmaceutical products for external use for the medical treatment of skin diseases, modernized Chinese medicines, chemical medicines and modern health-care products for the medical treatment of hepatitis and angiopathy of cardio-cerebral; and

(ii) the research and development of new medicines and modern health-care products for the medical treatment of cardiovascular and respiratory diseases.

"Territory" refers to the PRC (including Hong Kong).

The Undertaking does not apply to the followings:–

(i) the holding of shares or other securities issued by the Company or any of its subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which carries on, or is engaged or interested directly or indirectly in, any business which falls within the Restricted Business in the Territory, provided that such securities are listed on a stock exchange with regular trading and the total securities held by Mr. Tse and/or his associates do not amount to more than 20 per cent. of the issued shares or other securities of the company in question; and

(iii) the investment by Mr. Tse and/or Mr. Tse's Company in a business in the Territory which falls within the Restricted Business if the opportunity to invest in such business had been offered to and was either rejected by the Company or accepted in part by the Company on the basis of the investment in the balance being taken up by Mr. Tse or Mr. Tse's company, in either case in accordance with paragraph below.

In the event that Mr. Tse or any Mr. Tse's Company has identified an opportunity to invest (whether by way of the establishment of a new enterprise or the acquisition of existing interests in, or the injection of new capital into, an existing enterprise) in a business in the Territory which falls within the Restricted Business or any pharmaceutical related business in the Territory in which the Group is principally engaged from time to time (excluding any business in which Xian C.P. Pharmaceutical Co., Ltd. and/or Hainan Tigerlily Pharmaceutical Co., Ltd is/are engaged as at the date of the Undertaking) (the "Proposed Business"), Mr. Tse will undertake that he will procure that the said opportunity be first offered to the Company and that all relevant information relating to the Proposed Business in the possession of Mr. Tse and/or any Mr. Tse's Company shall be provided to the Company. The independent non-executive Directors shall have the right on behalf of the Company to determine whether the Group should:–

(i) reject the said opportunity in its entirety; or

(ii) accept the said opportunity in full and proceed with the participation in the Proposed Business; or

(iii) accept the said opportunity in part only on condition that, subject to compliance with any applicable requirements of the Listing Rules, Mr. Tse (including through a Mr. Tse's Company) takes up the balance of the investment upon terms approved by the independent non-executive Directors.

EMOLUMENT POLICY

Including the Directors, the Group had 25,579 employees as at 31 December, 2021. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes.

In order to properly reflect the public accountability and time and effort spent on the Board and various committees and meetings, the determination of emoluments of the directors of the Company has taken into consideration of their expertise and job specifications.

DONATION

During the year ended 31 December 2021, the donation of the Group amounted to approximately RMB54.96 million.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Tse, Theresa Y Y
Chairwoman

Hong Kong
31 March, 2022

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Ms. Tse, Theresa Y Y (謝其潤女士), aged 29, is the chairwoman of the Board, an executive director, and the chairwoman of the executive board committee and the nomination committee, respectively, of the Company. Ms. Tse is also a director of CT Tianqing and the vice chairwoman of Beijing Tide. Ms. Tse was a member of the first and second board of directors of Beijing Chia Tai Charity Foundation. She holds a Bachelor Degree of Science in Economics from the Wharton School of University of Pennsylvania. As a new generation business leader, Ms. Tse was recognised as one of the "Most Outstanding Business Women in China" by Forbes China online for two consecutive years in 2018 and 2019.

Ms. Tse is the daughter of Mr. Tse Ping and Ms. Cheng Cheung Ling, executive directors of the Company, the sister of Mr. Tse, Eric S Y, an executive director and a substantial shareholder of the Company, and a niece of Mr. Tse Hsin, an executive director of the Company.

Mr. Tse Ping (謝炳先生), aged 70, is the founding chairman of the Company and now serves as the senior vice chairman of the Board, an executive director, and a member of the executive board committee of the Company. Mr. Tse has more than 29 years of extensive experience in investment and management in the pharmaceutical industry in China. Mr. Tse is currently a director of CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, and CP Qingdao, and the president of Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. He is also a senior vice president of Chia Tai Group, the president of CP Pharmaceutical Group, and a director of Shanghai Fortune World Development Co., Ltd., Tianjin Chiatai Feed Tech Co., Ltd., SYN Energy Technology Co., Ltd., and Chia Tai Oversea Chinese Realty Development Co., Ltd. Mr. Tse still serves as a director of Chia Tai Qingchunbao Pharmaceutical Co., Ltd. and a council member of the Association of Pharmaceutical Biotechnology of China.

Soon after the adoption of the open-up and reform policy by China, Mr. Tse started to develop his investment and business in China. He has been engaged in the pharmaceutical industry since 1991, having made equity investments in a dozen or so enterprises, and is one of the most successful overseas investors in the PRC pharmaceutical industry. Led by Mr. Tse, CP Pharmaceutical Group has developed to a large integrated life and healthcare enterprise, and its Hong Kong listed flagship Sino Biopharmaceutical Limited is a constituent of the Heng Seng Index, holding a leading position among pharmaceutical stocks in the market and owning a number of national key high-technology enterprises. Adhering to the concept of technology innovation and building upon R&D system based on originality as well as imitation, the Group strives to develop international level, high-end biological drugs and innovative drugs and to achieve breakthroughs in different areas including medical services, medical equipment, the greater health fields, and mergers and acquisitions, and becomes an innovation driven life and healthcare enterprise with its business encompassing the entire industry chain which spans from R&D to manufacture and sales of pharmaceutical products and covers management of chronic diseases and healthcare. Since incorporation, the Company continues to break its own record in terms of revenue and net profit, and was ranked one of the "Asia's Fab 50 Companies" by Forbes Asia for three consecutive years from 2016 to 2018 and was included in American Magazine Pharm Exec's "Top 50 Companies" for two consecutive years in 2019 and 2020.

As a recognition for his efforts in promoting the development of the pharmaceutical industry in China, Mr. Tse was awarded a number of honours, including the prize of "World Outstanding Chinese" and an honorary Doctor Degree by the University of West Alabama, United States of America in January, 2008, and the "2007/2008 Asian Knowledge Management Association academician" granted by the Asian Knowledge Management Association in December, 2008.

Mr. Tse was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference. He is currently an executive vice chairman of the China Federation of Overseas Chinese Entrepreneurs and a distinguished professor of University for Peace, UPEACE.

Mr. Tse is the father of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company, and a first cousin of Mr. Tse Hsin, an executive director of the Company.

Ms. Cheng Cheung Ling (鄭翔玲女士), is one of the founders of the Company, and is currently the vice chairwoman of the Board, an executive director, and a member of the executive board committee of the Company and the chairwoman of Beijing Tide. Ms. Cheng was born in 1964, graduated from the Guanghua School of Management of Peking University and obtained a Master Degree in Business Administration. She is also a clinician. Having extensive experience in and a discerning vision for management and investment in the pharmaceutical industry, she has made significant contribution to the business development of the Company in China and has also spared no effort in promoting innovation, R&D capabilities and international collaboration in the industry. Being at the helm of Beijing Tide, Ms. Cheng advocates for innovations in R&D, production, sales, management, etc. and has led Beijing Tide to step up its efforts in developing international collaboration, aiming at promoting the rapid development of cutting-edge technologies for medical products in China. Under her leadership, Beijing Tide has achieved tremendous growth, riding on internationalization and innovation. Beijing Tide has become a leading company for the development, production and sales of targeted drugs in China.

Over the years, Ms. Cheng is committed to facilitating communication and trade between the Mainland and Hong Kong, and has done remarkable work for the purposes of promoting national cohesion and attracting investments in the Mainland from Hong Kong. She is a devoted charity supporter, actively participating in and caring for community philanthropy. The distinguished community services provided by Ms. Cheng are well recognized by various domestic and overseas organisations. She has not only been appointed as a Justice of the Peace and awarded the Silver Bauhinia Star by the Government of Hong Kong SAR but also awarded by a number of organizations honours such as "2022 Bearer of Red Flag March 8 of Shanxi Province", "The 4th session of the Jinghua Award of Beijing", "The 11th session of the Qindao Award of Qingdao City", and one of the "Most Influential People of the Pharmaceutical Industry in China for 2021". Public offices held by Ms. Cheng include being the chairwoman of the Friendship Association of the Political Consultative Conference (Hong Kong Provincial Committee), the chairwoman of the foundation of the Friendship Association of the Political Consultative Conference (Hong Kong Provincial Committee), the president of the council of Hong Kong Belt & Road General Chamber of Commerce, a member of the Eighth, Ninth, Tenth, Eleventh and Twelfth Standing Committees of the Shaanxi Province Chinese People's Political Consultative Conference (and the convenor of its committee members in Hong Kong), a member of the Eleventh Standing Committee of the All-China Federation of Industry and Commerce, and the president of the General Association of Shaanxi Entrepreneurs, etc.

She is the mother of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company.

Directors and Senior Management Profile

Mr. Tse, Eric S Y (謝承潤先生), aged 26, is an executive director and a member of the executive board committee of the Company and the chairman of CT Tianqing. He holds a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania and a master degree in Management and Global Leadership from Schwarzman College, Tsinghua University. Before joining the Company in June, 2018, Mr. Tse, Eric S Y served as the chief executive officer of Liepin North America, a reputable human resources company. Mr. Tse, Eric S Y founded the Penn Wharton China Summit during his time at university, and established the China Summit Foundation at the end of 2016. Currently, he is a member of the 13th committee of All-China Youth Federation, a vice president of the 12th committee of Shanxi Province Youth Federation, a member of the Digital Economy Committee of the APEC China Business Council, an executive vice president of the Jiangsu Overseas Chinese Chamber of Commerce, a member of the Election Committee of the Seventh Legislative Council of the Hong Kong Special Administrative Region, a vice president of the Youth Federation of the Hong Kong Political Consultative Conference, and a member of the Y.Elites Association. He was awarded the "Top Ten Outstanding Chinese American Youth" in 2018 (the list of which was jointly selected by the All-America Chinese Youth Federation, the American Chinese Public Diplomacy Association, and the English "Los Angeles Post").

Mr. Tse, Eric S Y is the son of Mr. Tse Ping and Ms. Cheng Cheung Ling, executive directors of the Company, the brother of Ms. Tse, Theresa Y Y, an executive director and a substantial shareholder of the Company, and a nephew of Mr. Tse Hsin, an executive director of the Company.

Mr. Tse Hsin (謝炘先生), aged 52, is an executive director, a member of the executive board committee and a senior vice president of the Company. Mr. Tse Hsin is mainly responsible for mergers and acquisitions and financing activities of the Group and is also the Group's spokesman. Mr. Tse Hsin graduated from the University of Hong Kong with a Bachelor's Degree (Honors) in Industrial Engineering. He joined the Group in August, 1995 as an assistant to the president of the Company and had served as the general manager of Xian C.P. Pharmaceutical Co., Ltd. Mr. Tse Hsin was a council member of the first council and an executive council member of the second council of Chaozhou Natives Chamber of Commerce Beijing. He was also an executive member of the Right Protection Association for the Medical Treatment Equipment Enterprises of the Shaanxi Province, a vice chairman of the fourth council of the Foreign Invested Enterprises Association of the Shaanxi Province, an executive member of the third committee of the Shaanxi Cancer Fighting Association and a vice chairman of the World Chinese Medicine and Pharmaceutical Professional Joint Committee. He was awarded the "Outstanding Management Award for Foreign-invested Enterprises of Shaanxi Province" by the Shaanxi Provincial Government and the "Outstanding entrepreneur who cares about his staff" by the Shaanxi Foreign Invested Enterprises Association. He was a director of CT Tianqing and Beijing Tide, and is currently a director of NJCTT, CP Qingdao, CP Boai Investment Ltd., and Chia Tai Yeheng Biotech (Shanghai) Co., Ltd., the chairman of Chia Tai Shaoyang Orthopedic Hospital, and a supervisor of CT Tianqing.

He is an uncle of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company, and a first cousin of Mr. Tse Ping, an executive director of the Company.

Mr. Li Yi (李一先生), aged 60, is as an executive director, the Chief Executive Officer, and the President of the Company. Mr. Li has extensive management experience in listed companies and a vision of international corporate operations: Mr. Li joined J.P. Morgan China in October, 2014 as chairman and chief executive officer, overseeing the overall operations of the group's business in China and chairing its China management committee. He was appointed as the chairman of J.P. Morgan Chase Bank (China) Company Limited in April, 2015, and was promoted to vice chairman of Global Banking, J.P. Morgan in May, 2018, dedicated to improving the degree of internationalization of China capital market and the level of Chinese enterprises' involvement in international capital markets. In September, 2019, he assumed the role of chairman of J.P. Morgan Securities (China) Company Limited, which was the first newly established foreign controlled joint venture securities company in China. Before joining J.P. Morgan, Mr. Li served as the chairman and country head of UBS China, and the chairman of UBS Securities Co., Ltd. Under his leadership, UBS successfully established the first Sino-foreign fully licensed securities joint venture company in China, and built various China platforms such as securities, banking, wealth management, asset management and futures and options. From 2001 to 2005, Mr. Li was the managing director of China Merchants Holdings (International) Company Limited; during that period, the company's overall performance increased by approximately four times and the company was included in the Hang Seng Index in 2004.

In 2004, Mr. Li was selected as one of the "Most Outstanding Business Leaders in Asia" by CNBC Asia. In 2016, he became the only one in the industry named as the "Chinese Investment Banker in Ten Years" by China Business Network. In 2018, Mr. Li was granted the "Global Multinational Corporation Leaders Outstanding Contribution Award" by the China International Council for the Promotion of Multinational Corporations.

Mr. Li graduated from Wharton School of the University of Pennsylvania with an MBA degree. Before that, he graduated and holds a bachelor's degree in law from China University of Political Science and Law, as well as a bachelor's degree from Beijing Sport University. From 1976 to 1980, Mr. Li was a professional soccer player.

Mr. Wang Shanchun (王善春先生), aged 54, is the president of CT Tianqing. Mr. Wang graduated from Nanjing University of Chemistry in July, 1990 and joined CT Tianqing in the same year. He studied pharmaceutical engineering with Tianjin University from 1999 to 2002 and obtained a Master Degree. Mr. Wang has extensive management experience in the PRC pharmaceutical field. His design of the new production plant of CT Tianqing in Haizhou achieved a number of innovations in the country and obtained the first new edition national GMP certificate. He was awarded as a national model worker, a Jiangsu Province Technology Advanced Worker, a Jiangsu Province Model Labour, a winner of the Shanghai Technology Advancement First Honour Award, a Jiangsu Province Outstanding Entrepreneur, a Jiangsu Province Young and Middle-aged Expert with Outstanding Contribution, a Jiangsu Advanced Individual with Outstanding Contribution in Manufacture, and a National Distinguished Leader in Pharmaceutical Quality Management, granted the special government allowances of the State Council, and elected as a representative of the 13th People's Congress of Jiangsu Province.

Mr. Tian Zhoushan (田舟山先生), aged 58, joined the Group in April, 1997 and is responsible for the business of NJCTT. Mr. Tian is currently the general manager of NJCTT. Mr. Tian completed MBA coursework in Nanjing University. He was the head of production, the assistant to the president, and the vice president of CT Tianqing, and has over 30 years of experience in the pharmaceutical industry.

Directors and Senior Management Profile

Ms. Li Mingqin (李名沁女士), aged 63, is currently a senior vice president of the Company and a director of Beijing Tide, Jiangsu CT Qingjiang, Shanghai Tongyong, Chia Tai Shaoyang Orthopedic Hospital, and CP Boai Investment Ltd., and is principally responsible for the investment affairs of the Group. Ms. Li graduated from the Faculty of Medicine of Beijing Chinese Medicine University with a Bachelor Degree in medicine. Prior to joining the Company, Ms. Li had worked in Sino-Japanese Friendly Hospital and Beijing Chinese Medicine University, engaged in teaching of medicines, development of new medicines and medicine management. During the period from 1992 to 1995, Ms. Li had been engaged in post-doctorate research in the Medicine School of University of Colorado, USA and the Medical College of the University of Massachusetts. Ms. Li joined the Group in March, 1997 and has 39 years of experience in the pharmaceutical industry.

Independent Non-Executive Directors

Mr. Lu Zhengfei (陸正飛先生), aged 58, is an independent non-executive director of the Company and is the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. He received a P.h.D. Degree in Economics (financial management). Mr. Lu is currently a Distinguished Professor of Chang Jiang Scholars and supervisor of doctoral students of the Guanghua School of Management of Peking University. He had previously held various senior positions in the Department of Accounting of both the Guanghua School of Management of Peking University and the Nanjing University. He is a standing council member of the China Accounting Association and the deputy director of its Financial Management Committee and was also an expert consultant of the China Financial Accounting Standards Board, Ministry of Finance. Mr. Lu is the editor of several accounting and finance journals and has issued various publications. He is an independent director of China Cinda Asset Management Co., Ltd. (listed on the Stock Exchange) and Xinjiang Tianshan Cement Company Limited (listed on the Shenzhen Stock Exchange), respectively, and an independent supervisor of PICC Property and Casualty Company Limited (listed on the Stock Exchange).

Mr. Li Dakui (李大魁先生), aged 78, is an independent non-executive director and a member of the audit committee of the Company. He graduated from the Faculty of Pharmacy of Beijing Medical University (now known as the School of Pharmaceutical Sciences of Beijing University) in 1965, and obtained a Master Degree in Pharmaceutics from Peking Union Medical College ("PUMC") in 1982. He used to be the chief pharmacist of PUMC Hospital (retired in 2013) and the director of Pharmacy Department of PUMC Hospital for years. Mr. Li was a vice president of the Chinese Pharmaceutical Association, the Chairman of the Committee of Hospital Pharmacy Branch of Chinese Pharmaceutical Association and the vice chairman of the Chinese Practicing Pharmacist Association. He is currently an advisory member of the Chinese Pharmaceutical Committee and a vice president of the Beijing Pharmaceutical Association.

Ms. Lu Hong (魯紅女士), aged 52, joined the Company as an independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee of the Company in April, 2015. Ms. Lu has over 20 years of experience in accounting, financial management, company secretary and domestic and overseas capital operations fields. She is a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Lu has extensive knowledge of PRC and international accounting standards and the listing rules and regulations of both Hong Kong and PRC. She was in charge of or involved in the entire process of the listing of multiple corporations in the PRC, Hong Kong, Singapore and the United States of America and quite a number of foreign and domestic investment and financing operations as well as mergers and acquisitions. She is familiar with financial analysis, budgeting, financial management and tax planning. She also has expertise in dealing with complex financing and taxation matters. Ms. Lu is an independent non-executive director of Xingye Alloy Materials Group Limited, which is listed on the Stock Exchange.

Directors and Senior Management Profile

Mr. Zhang Lu Fu (張魯夫先生), aged 65, joined the Company as an independent non-executive director and the chairman of the remuneration committee and a member of the nomination committee of the Company in April, 2015. He had worked for multiple sectors of the Chinese government since 1987, including the Hong Kong branch of the Xin Hua News Agency (now known as Liaison Office of the Central People's Government in Hong Kong). After 2000, Mr. Zhang had worked for a number of Hong Kong listed companies and charitable organisations on full-time or part-time bases, successively holding positions such as chief representative for affairs in China, China affairs advisor, secretary-general (China affairs) of foundation, and executive president.

Mr. Zhang has served as the director-general of Friends of Hong Kong Association Ltd since 2008. He was appointed as a member of the Shenzhen Committee of the 4th Chinese People's Political Consultative Conference in 2008 and a council member of the China Overseas Friendship Association in 2013, and served successively as a standing council member of the Shenzhen Overseas Friendship Association and a standing council member of the Guangdong Overseas Friendship Association since 2015. He holds a Master Degree in Philosophy from the Beijing Normal University and was a research associate. He has been hired as a part-time professor of the Hong Kong Academy of Management since 2011. Mr. Zhang is an independent non-executive director of Kingboard Laminates Holdings Limited, which is listed on the Stock Exchange.

Dr. Li Kwok Tung Donald *(SBS, CStJ, JP)* (李國棟醫生), aged 67, joined the Company as an independent non-executive director and a member of the audit committee and nomination committee, respectively, of the Company in December, 2020. Dr. Li is a specialist in family medicine in private practice in Hong Kong. He was the immediate past president of the World Organisation of Family Physicians (WONCA), the past president of the Hong Kong Academy of Medicine, and the chairman of the governing board of Hong Kong Jockey Club Disaster Preparedness and Response Institute of the Hong Kong Academy of Medicine. He is a censor of the Hong Kong College of Family Physicians.

Dr. Li graduated with a bachelor of arts degree from Cornell University, USA, in 1975 and followed by his study in medicine, he obtained a bachelor of medicine from the University of Hong Kong in 1980. He is a fellow of The Hong Kong College of General Practitioners, fellow of the Hong Kong Academy of Medicine, honorary fellow of the Hong Kong College of Dental Surgeons, honorary fellow of the Royal Australian College of General Practitioners, honorary fellow of the Hong Kong College of Family Physicians, fellow of the Faculty of Public Health of the Royal College of Physicians of the United Kingdom, honorary fellow of the Academy of Family Physicians of Malaysia, registered Mainland China medical practitioner, fellow of the American College of Physicians, honorary fellow of the Royal College of Physicians of Thailand, fellow of the Academy of Medicine, Singapore, honorary fellow of the Royal College of Physicians of Ireland, and honorary fellow of the Royal College of General Practitioners.

Dr. Li is an honorary clinical professor in family medicine of the Chinese University of Hong Kong, honorary professor in the Faculty of Medicine of the University of Hong Kong, and the adjunct associate professor of the Faculty of Health Science of Macau University of Science and Technology. He is the chairman of the Action Committee Against Narcotics, the director of the Hong Kong St. John Ambulance Association, the chairman of the Hong Kong Sheng Kung Hui Welfare Council, an honorary steward of the Hong Kong Jockey Club, and a senior advisor of Jiahui Health. He is also an honorary adviser of The Hong Kong Award for Young People, the chairman of the Professional Committee on Medical Health of Belt and Road General Chamber of Commerce in Hong Kong, a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development and a member of the steering committee on Primary Healthcare Development of Food and Health Bureau in Hong Kong. Dr. Li is an independent non-executive director of C-MER Eye Care Holdings Limited, UMP Healthcare Holdings Limited, and New Horizon Health Limited, respectively, which are listed on the Stock Exchange.

Directors and Senior Management Profile

SENIOR MANAGEMENT

Professor Mao Li (毛力教授), aged 64, is the Chief Medical Officer of Sino Biopharm. He is a world-renowned expert in the field of oncology, who established Johnson & Johnson's global lung cancer research center across three business areas, with more than 35 years of clinical practice, basic research and leadership experience in oncology. Professor Mao completed his postdoctoral research and studies at Mayo Hospital and The Johns Hopkins University School of Medicine in the United States, and was honored as a tenured professor at the MD Anderson Cancer Center at the University of Texas. He was once employed as an expert on the National High-level Talents Program and a Yangtze River scholar lecture professor of the Shanghai Jiaotong University School of Medicine, and had successively held senior management positions with a number of the world's top 500 enterprises.

Ms. Ma Jiayin Jennie (馬佳音女士), aged 46, Group Chief Financial Officer, is responsible for financial affairs of the Group. Ms. Ma obtained her MBA from Columbia Business School and degree in accounting and finance from New York University Stern School of Business. She is a Certified Public Accountant and a CFA Charterholder. Prior to joining the Company in 2019, Ms. Ma worked for various large multinationals, accounting firms and financial institutions, with over 20 years of experience in accounting and financial management.

Mr. Jin Song (靳松先生), aged 46, was appointed as a vice president of Sino Biopharm in 2021, responsible for public affairs and ESG related work. Mr. Jin graduated from China Pharmaceutical University, with a Bachelor degree in pharmaceutical preparations engineering, and holds a master degree in public health administration and international cooperation strategies from Ritsumeikan University, Japan. Before joining the Company, he was a vice president in a large state-owned enterprise, and had worked in national pharmaceutical regulatory authorities for many years. He has over 20 years of management experience in pharmaceutical industry.

Ms. Li Qian (李倩女士), aged 42, is a vice president of the Company, a director of Chia Tai Shaoyang Orthopedic Hospital and Chia Tai Yeheng Biotech (Shanghai) Co., Ltd., and a supervisor of Jiangsu CT Qingjiang. She is mainly responsible for internal audit of the Group. Ms. Li Qian graduated from Nankai University and obtained a Master degree in management. She is a Certified Public Accountant in China and a Certified Internal Auditor. Before joining the Group, she worked in Ernst & Young and Deloitte Touche Tohmatsu, engaged in audit & assurance. Ms. Li Qian joined the Group in 2009 and has more than 17 years of experience in audit.

Mr. Lou Wei (婁偉先生), aged 45, was appointed as a vice president of Sino Biopharm in 2021, being in charge of human resources. Mr. Lou has more than 20 years of experience in human resources. He previously held management positions of human resources with Pfizer and Johnson & Johnson, and prior to joining the Company, he was the person-in-charge of business human resources of Hengrui Pharmaceutical. Mr. Lou graduated from the business school of Zhengzhou University in 2000 and from the international MBA programme of Peking University in 2010, and is a member of CPHR (Chartered Professional in Human Resources) Cananda.

Mr. Chan Oi Nin Derek (陳凱年先生), aged 54, was appointed as company secretary of the Company in 2015. Mr. Chan has over 20 years of work experience in the fields of accounting, auditing and company secretary and before joining the Company, was the company secretary of another company listed on the Stock Exchange. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan received a Bachelor of Science degree from the Chinese University of Hong Kong in 1989 and an MBA degree from Monash University in 1995.

Corporate Information

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE ADDRESS

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December, 2003

DATE OF LISTING ON GEM BOARD

29 September, 2000

DIRECTORS

Executive Directors
Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping *(Senior Vice Chairman)*
Ms. Cheng Cheung Ling *(Vice Chairwoman)*
Mr. Tse, Eric S Y
Mr. Tse Hsin
Mr. Li Yi *(Chief Executive Officer)*
Mr. Wang Shanchun
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent Non-executive Directors
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

Executive Board Committee
Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin

AUDIT COMMITTEE

Mr. Lu Zhengfei *(Chairman)*
Mr. Li Dakui
Ms. Lu Hong
Dr. Li Kwok Tung Donald

REMUNERATION COMMITTEE

Mr. Zhang Lu Fu *(Chairman)*
Mr. Lu Zhengfei
Ms. Lu Hong

NOMINATION COMMITTEE

Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping
Mr. Lu Zhengfei
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Ms. Cheng Cheung Ling *(Chairwoman)*
Ms. Li Mingqin
Dr. Li Kwok Tung Donald

COMPANY SECRETARY

Mr. Chan Oi Nin Derek

QUALIFIED ACCOUNTANT

Ms. Jennie Ma, CFA, CPA

AUTHORISED REPRESENTATIVES

Mr. Tse Ping
Mr. Chan Oi Nin Derek

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

Corporate Information

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Agricultural Bank of China, Lianyungang Branch
No. 43 North Tong-guan Road, Xinpu
Lianyungang
Jiangsu Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 41st Floor, Office Tower
Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

43-44/F, North Tower of CP Center
Jia 10 Guanghua Road
Chaoyang District
Beijing
PRC

LEGAL ADVISERS

Sidley Austin
39/F, Two International Finance Centre
Central
Hong Kong

Navigator Law Office
Room 1118, Tower 2, Bright China Chang An Building
No.7, Jianguomennei Avenue, Dong Cheng District
Beijing
PRC

AUDITORS

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit 01, 24th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

To the shareholders of Sino Biopharmaceutical Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sino Biopharmaceutical Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 172, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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
Fair value measurement for Level 3 investments	
The Group made unlisted investments in a wide variety of companies. These investments were accounted for as financial assets at fair value through profit or loss ("FVTPL") or designated as financial assets at fair value through other comprehensive income in accordance with HKFRS 9 "Financial Instruments". As at 31 December 2021, the fair values of these investments were RMB3,943 million and RMB1,176 million, respectively (2020: RMB3,865 million and RMB1,426 million, respectively). The determination of the fair value of these unlisted investments involved significant judgement and estimates made by management. Therefore, we identified the fair value measurement for Level 3 investments as a key audit matter. The Group's related disclosures are included in note 2.4 *Summary of Significant Accounting Policies – Investments and other financial assets, note 3 Significant Accounting Judgements and Estimates*, note 19 *Equity investments designated at fair value through other comprehensive income,* note 20 *financial assets at fair value through profit or loss and note 41 Fair value and fair value hierarchy of financial instruments* to the financial statements.	Our procedures in relation to the fair value measurement for Level 3 investments included: • Obtained an understanding of the key controls over the fair value measurements and evaluated the design and implementation of these controls; • Evaluated the objectivity, independence and competence of the external appraisers who assisted management in assessing the fair value; • Evaluated the reasonableness in the key inputs in the valuation models by checking to the supporting documents; • Involved our internal valuation specialists to review the valuation methodologies and inputs adopted by the appraiser for certain Level 3 investments; and • Evaluated the adequacy of disclosures of Level 3 fair value measurement in the financial statements.

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. The Annual Report is expected to be made available to us after the date of this auditor's report.

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 when it becomes available 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.

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 HKFRSs issued by the HKICPA 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
27th Floor, One Taikoo Place
979 King's Road, Quarry Bay,
Hong Kong

31 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**26,861,356**	23,647,224
Cost of sales		**(5,332,095)**	(5,182,320)
Gross profit		**21,529,261**	18,464,904
Other income and gains	5	**1,068,929**	1,241,223
Selling and distribution costs		**(10,518,393)**	(8,972,635)
Administrative expenses		**(2,185,234)**	(2,655,926)
Other expenses		**(4,644,063)**	(2,737,921)
Including: Research and development costs		***(3,677,259)***	*(2,626,709)*
Finance costs	7	**(308,617)**	(323,368)
Share of profits and losses of associates and a joint venture		**13,630,790**	(3,233)
PROFIT BEFORE TAX	6	**18,572,673**	5,013,044
Income tax expense	10	**(1,957,880)**	(672,377)
PROFIT FOR THE YEAR		**16,614,793**	4,340,667
Attributable to:			
Owners of the parent		**14,608,412**	2,771,086
Non-controlling interests		**2,006,381**	1,569,581
		16,614,793	4,340,667
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**RMB77.83 cents**	RMB14.74 cents
Diluted		**RMB73.26 cents**	RMB14.74 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**16,614,793**	4,340,667
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(140,990)**	(75,456)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(140,990)**	(75,456)
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	**298,026**	363,891
Income tax effect	**–**	–
	298,026	363,891
Share of other comprehensive income of associates and a joint venture	**43,925**	52,914
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**341,951**	416,805
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**200,961**	341,349
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**16,815,754**	4,682,016
Attributable to:		
Owners of the parent	**14,811,893**	3,112,163
Non-controlling interests	**2,003,861**	1,569,853
	16,815,754	4,682,016

Consolidated Statement of Financial Position

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,154,298**	6,870,288
Investment properties	14	**705,626**	308,559
Right-of-use assets	15a	**1,361,764**	1,521,916
Goodwill	16	**647,930**	88,926
Intangible assets	17	**1,064,016**	924,710
Investments in associates and a joint venture	18	**14,266,396**	5,050,637
Equity investments designated at fair value through other comprehensive income	19	**1,988,238**	1,991,107
Financial assets at fair value through profit or loss	20	**3,942,851**	3,865,074
Bank deposit	25	**4,972,000**	2,950,000
Deferred tax assets	31	**334,865**	463,366
Prepayments and other asset	24	**602,175**	381,652
Total non-current assets		**37,040,159**	24,416,235
CURRENT ASSETS			
Inventories	22	**1,937,741**	1,880,051
Trade and bills receivables	23	**4,220,667**	2,914,077
Prepayments, other receivables and other assets	24	**1,715,452**	2,398,724
Amounts due from related companies	39	**404,767**	125,536
Equity investments designated at fair value through profit or loss	21	**405,206**	389,675
Financial assets at fair value through profit or loss	20	**4,250,533**	3,827,056
Cash and bank balances	25	**10,568,812**	11,259,084
Total current assets		**23,503,178**	22,794,203
CURRENT LIABILITIES			
Trade and bills payables	26	**1,693,152**	1,947,802
Tax payable		**101,167**	60,701
Other payables and accruals	27	**6,728,000**	7,353,512
Interest-bearing bank borrowings	28	**6,520,565**	1,552,825
Amounts due to related companies	39	**237,662**	–
Lease liabilities	15(b)	**64,473**	28,699
Total current liabilities		**15,345,019**	10,943,539
NET CURRENT ASSETS		**8,158,159**	11,850,664
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,198,318**	36,266,899

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,198,318**	36,266,899
NON-CURRENT LIABILITIES			
Convertible bonds – debt component	29	**4,799,189**	5,441,324
Convertible bonds – embedded derivative instrument		**152,797**	439,188
Deferred government grants	30	**674,450**	608,201
Interest-bearing bank borrowings	28	**413,337**	6,922,115
Lease liabilities	15b	**319,949**	264,861
Contingent consideration	36	**227,983**	–
Deferred tax liabilities	31	**881,590**	171,652
Total non-current liabilities		**7,469,295**	13,847,341
Net assets		**37,729,023**	22,419,558
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**415,440**	415,895
Treasury shares		**(689,347)**	(469,944)
Reserves	34	**30,565,023**	16,801,209
		30,291,116	16,747,160
Non-controlling interests		**7,437,907**	5,672,398
Total equity		**37,729,023**	22,419,558

Tse Ping
Director

Tse Hsin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

		Attributable to owners of the parent												
	Note	Share capital RMB'000 (Note 31)	Share premium account RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Fair value reserve of financial assets at fair value through other com-prehensive income RMB'000	Contributed surplus RMB'000	Reserve funds RMB'000 (Note 33)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2019		278,451	12,944,432	(412,837)	(369,044)	333,651	8,891	22,691	3,066,261	(324,446)	15,563,608	31,111,658	9,172,910	40,284,568
Effect of changes in accounting policies		–	–	–	(9,168,835)	(305,475)	–	–	–	(8,653)	(6,679,450)	(16,162,413)	(3,560,973)	(19,723,386)
At 1 January 2020 (restated)		278,451	12,944,432	(412,837)	(9,537,879)	28,176	8,891	22,691	3,066,261	(333,099)	8,884,158	14,949,245	5,611,937	20,561,182
Profit for the year		–	–	–	–	–	–	–	–	–	2,771,086	2,771,086	1,569,581	4,340,667
Other comprehensive income for the year:														
Fair value changes of financial assets		–	–	–	–	–	363,891	–	–	–	–	363,891	–	363,891
Exchange differences related to foreign operations		–	–	–	–	–	–	–	–	(75,728)	–	(75,728)	272	(75,456)
Exchange differences related to associates and a joint venture		–	–	–	(65)	–	–	–	–	52,979	–	52,914	–	52,914
Total comprehensive income for the year		–	–	–	(65)	–	363,891	–	–	(22,749)	2,771,086	3,112,163	1,569,853	4,682,016
Contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	18,172	18,172
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(1,527,564)	(1,527,564)
Repurchase of shares for cancellation		–	–	(138,266)	–	–	–	–	–	–	–	(138,266)	–	(138,266)
Repurchase of shares under share award scheme		–	–	(57,107)	–	–	–	–	–	–	–	(57,107)	–	(57,107)
Cancellation of treasury shares		(393)	(137,873)	138,266	–	–	–	–	–	–	–	–	–	–
Issue of bonus shares		137,837	(137,837)	–	–	–	–	–	–	–	–	–	–	–
Final 2019 dividend declared	11	–	–	–	–	–	–	–	–	–	(223,931)	(223,931)	–	(223,931)
Interim 2020 dividend		–	–	–	–	–	–	–	–	–	(894,944)	(894,944)	–	(894,944)
Transfer from retained profits		–	–	–	–	–	–	–	67,941	–	(67,941)	–	–	–
At 31 December 2020		415,895	12,668,722	(469,944)	(9,537,944)	28,176	372,782	22,691	3,134,202	(355,848)	10,468,428	16,747,160	5,672,398	22,419,558

		Attributable to owners of the parent												
	Note	Share capital RMB'000 (Note 31)	Share premium account RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Fair value reserve of financial assets at fair value through other com-prehensive income RMB'000	Contributed surplus RMB'000	Reserve funds RMB'000 (Note 33)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021		415,895	12,668,722	(469,944)	(9,537,944)	28,176	372,782	22,691	3,134,202	(355,848)	10,468,428	16,747,160	5,672,398	22,419,558
Profit for the year		-	-	-	-	-	-	-	-	-	14,608,412	14,608,412	2,006,381	16,614,793
Other comprehensive income for the year:														
Fair value changes of financial assets		-	-	-	-	-	298,026	-	-	-	-	298,026	-	298,026
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		-	-	-	-	-	(165,906)	-	-	-	165,906	-	-	-
Exchange differences related to foreign operations		-	-	-	-	-	-	-	-	(138,470)	-	(138,470)	(2,520)	(140,990)
Exchange differences related to associates and a joint venture		-	-	-	-	-	-	-	-	43,925	-	43,925	-	43,925
Acquisition of subsidiaries														
Total comprehensive income for the year		-	-	-	-	-	132,120	-	-	(94,545)	14,774,318	14,811,893	2,003,861	16,815,754
Contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	140,164	140,164
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	34,391	34,391
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(412,907)	(412,907)
Repurchase of shares for cancellation		-	-	(126,776)	-	-	-	-	-	-	-	(126,776)	-	(126,776)
Repurchase of shares under share award scheme		-	-	(206,154)	-	-	-	-	-	-	-	(206,154)	-	(206,154)
Cancellation of treasury shares		(455)	(113,072)	113,527	-	-	-	-	-	-	-	-	-	-
Final 2020 dividend declared	11	-	-	-	-	-	-	-	-	-	(311,669)	(311,669)	-	(311,669)
Interim 2021 dividend		-	-	-	-	-	-	-		-	(623,338)	(623,338)	-	(623,338)
Transfer from retained profits		-	-	-	130,907	-	-	-	1,105,432	-	(1,236,339)	-	-	-
Transfer from reserve fund of a subsidiary		-	-	-	96,424	-	-	-	(96,424)	-	-	-	-	-
At 31 December 2021		415,440	12,555,650	(689,347)	(9,310,613)	28,176	504,902	22,691	4,143,210	(450,393)	23,071,400	30,291,116	7,437,907	37,729,023

* These reserve accounts comprise the consolidated reserves of approximately RMB30,565,023,000 (2020: approximately RMB16,801,209,000) 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		**18,572,673**	5,013,044
Adjustments for:			
Finance costs	7	**308,617**	323,368
Share of profits and losses of associates and a joint venture		**(13,630,790)**	3,233
Bank interest income	5	**(162,057)**	(194,003)
Investment income	5	**(395,450)**	(321,747)
Dividend income from equity investments at fair value through other comprehensive income	5	**(2,383)**	(4,532)
Depreciation of property, plant and equipment	13	**779,248**	771,861
Write-off of property, plant and equipment	13	**3,748**	13,636
Depreciation of investment properties	14	**21,225**	44,684
Depreciation of right-of-use assets	15	**102,166**	74,800
Amortisation of intangible assets	17	**89,917**	763,491
Loss on disposal of items of property, plant and equipment, net	6	**4,278**	593
Fair value (gain)/loss, net:			
Equity investments designated at fair value through profit or loss	6	**15,748**	(19,978)
Financial assets at fair value through profit or loss	6	**(17,113)**	(9,273)
Financial assets designated at fair value through profit or loss (non-current)	6	**266,746**	(414,187)
Gain on convertible bonds – embedded derivative instrument	6	**(241,072)**	(88,009)
Contingent consideration		**12,016**	–
Impairment of investment in an associate	6	**154,655**	–
Impairment of trade and bills receivables	6	**1,621**	(3,082)
Impairment of prepayments, deposits and other receivables and amounts due from related companies	6	**60,000**	69,283
Impairment of intangible assets	6	**441,098**	–
Impairment of goodwill	6	**47,254**	–
		6,432,145	6,023,182
Increase in inventories		**(57,475)**	(221,454)
Increase in trade and bills receivables		**(1,308,211)**	(198,786)
Decrease/(increase) in prepayments, other receivables and other assets		**409,488**	(211,738)
(Increase)/decrease in amounts due from related companies		**(307,041)**	48,567
(Decrease)/increase in trade and bills payables		**(257,843)**	206,497
Increase in other payables and accruals		**1,014,166**	510,695
Increase in amounts due to related companies		**101,532**	–
Increase in deferred government grants		**66,249**	127,549
Cash generated from operations		**6,093,010**	6,284,512
Profits tax paid		**(726,716)**	(959,176)
Net cash flows from operating activities		**5,366,294**	5,325,336

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows from operating activities		**5,366,294**	5,325,336
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**162,057**	194,003
Investment income received		**287,305**	304,739
Dividends received from investments		**2,383**	4,532
Dividends received from associates		**4,015,687**	4,112
Purchases of items of property, plant and equipment		**(1,714,131)**	(1,424,290)
Purchases of equity investments designated at fair value through other comprehensive income		**(64,808)**	(421,245)
Proceeds from disposal of an equity investment designated at fair value through other comprehensive income		**229,431**	–
Net cash outflow for acquisition of subsidiaries		**(798,754)**	–
Increase in wealth management products recorded in financial assets at fair value through profit or loss		**(406,364)**	(2,732,900)
Decrease in wealth management products recorded in other receivables		**386,508**	4,694,863
(Increase)/decrease in equity investments designated at fair value through profit or loss		**(13,064)**	121,660
Proceeds from disposal of items of property, plant and equipment		**132,195**	101,148
Additions to intangible assets		**(152,922)**	(363,989)
Investments in associates and a joint venture		**(159,949)**	(4,196,751)
Loan to an associate		**(32,190)**	(53,390)
Increase in prepaid land lease payments		**(26,931)**	(70,866)
Investment in financial assets designated at fair value through profit or loss		**(2,006,045)**	(1,802,291)
Increase in time deposits with original maturity of more than three months		**(2,356,385)**	(2,204,890)
Net cash flows used in investing activities		**(2,515,977)**	(7,845,555)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,269,914**	1,537,764
Loan from a related party		**136,130**	–
Issue of convertible bonds		**–**	5,611,863
Repurchase of convertible bonds		**(260,631)**	–
Repayment of bank loans		**(2,566,183)**	(1,760,048)
Dividends paid		**(938,489)**	(1,187,015)
Interest paid		**(179,623)**	(215,307)
Payment of lease liabilities	15	**(80,708)**	(49,303)
Dividends paid to non-controlling shareholders		**(412,907)**	(1,527,564)
Repurchase of shares		**(332,930)**	(195,373)
Contribution from non-controlling shareholders		**140,164**	18,171
Net cash flows (used in)/from financing activities		**(3,225,263)**	2,233,188
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(374,946)**	(287,031)
Cash and cash equivalents at beginning of year		**10,624,194**	10,631,210
Effect of foreign exchange rate changes, net		**(649,711)**	280,015
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,599,537**	10,624,194
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances, unrestricted	25	**6,213,974**	6,596,500
Time deposits with original maturity of less than three months when acquired	25	**3,385,563**	4,027,694
Cash and cash equivalents as stated in the statement of cash flows		**9,599,537**	10,624,194

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 2 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on The Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 September 2000. Upon approval by the Stock Exchange, the Company's shares were withdrawn from the GEM and were listed on the Main Board on 8 December 2003.

The head office and principal place of business of the Company in Hong Kong is located at Unit 9, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

During the year, the Group continued to be principally engaged in the research and development, production and sale of a series of modernised Chinese medicines and chemical medicines.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Champion First Investments Limited	British Virgin Islands/Hong Kong	US$2	100	–	Investment holding
China Biotech & Drug Development Limited	Hong Kong	HK$100 Ordinary	–	51	Research and development of pharmaceutical products
Chia Tai-Tianqing Pharmaceutical Holdings Co., Ltd. ("CT Tianqing")	PRC*	RMB890,000,000	–	60	Development, manufacture and distribution of pharmaceutical products
Jiangsu Runji Investment Co., Ltd.	PRC**	RMB10,000,000	–	60	Investment holding
Magnificent Technology Limited	British Virgin Islands/Hong Kong	US$500,000	–	60	Investment holding
Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT")	PRC*	RMB336,031,726	–	55.6	Development, manufacture and sale of pharmaceutical products
Lianyungang Runzhong Pharmaceutical Co., Ltd. ("LYG Runzhong")	PRC**	RMB103,528,805	–	60	Development, manufacture and sale of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lianyungang Chia Tai Tianqing Medicines Co., Ltd. ("LYG Tianqing")	PRC**	RMB50,000,000	–	60	Distribution of pharmaceutical products
Evon Industries Limited	Hong Kong	HK$2 Ordinary	100	–	Property holding
Fine Enterprise Investment Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Sino Biopharmaceutical (Tianjin) Co., Ltd.	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu Qingjiang")	PRC*	RMB180,000,000	–	55.588	Development, manufacture and sale of pharmaceutical products
Jiangsu Chia Tai Qingjiang Medicines Co., Ltd. ("Jiangsu Qingjiang Medicines")	PRC**	RMB5,000,000	–	55.588	Distribution of pharmaceutical products
Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu Fenghai")	PRC*	US$29,607,377	–	60.898	Development, manufacture and sale of pharmaceutical products
Jiangsu Chia Tai Fenghai Medicines Co., Ltd. ("Jiangsu Fenghai Medicines")	PRC**	RMB20,000,000	–	60.898	Distribution of pharmaceutical products
Nanjing Chia Tai Fenghai Medicines Technology Co., Ltd.	PRC**	RMB500,000	–	60.898	Distribution of pharmaceutical products
Chia Tai Wing Fuk Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Chia Tai Pharmaceutical (Qingdao) Co., Ltd. ("Qingdao Chai Tai")	PRC*	US$7,560,000	–	93	Development, manufacture and sale of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qingdao Hang Seng Tang Pharmacy Co., Ltd.	PRC**	RMB1,250,000	–	93	Retail of pharmaceutical products
Qingdao Chia Tai Kangheng Medicines Co., Ltd.	PRC**	RMB5,000,000	–	93	Sale of pharmaceutical products
Talent Forward Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Sino Biopharmaceutical (Beijing) Limited ("SBBJ")	Hong Kong	HK$100 Ordinary	100	–	Investment holding
Chia Tai Pharmaceutical (Lianyungang) Company Limited ("CTP(LYG)")	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Lucky Symbol Holdings Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Ace Elite Investments Limited	Hong Kong	HK$10 Ordinary	–	100	Investment holding
Shanghai Tongyong Pharmaceutical Co., Ltd. ("Shanghai Tongyong")	PRC*	RMB85,630,000	–	86.42	Manufacture and sale of pharmaceutical products
Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. ("CTP Investment")	PRC***	US$118,500,000	100	–	Investment holding
Chia Tai Healthcare (Holding) Limited	Hong Kong	HK$100 Ordinary	100	–	Investment holding
Chia Tai Shaoyang Orthopaedic Hospital ("Shaoyang Hospital")	PRC*	RMB129,928,711	–	44.20	Orthopaedic outpatient and surgical procedures
Lianyungang Tianrun Pharmacy Ltd.	PRC**	RMB100,000	–	60	Retail of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Tongzheng Import-Export Co., Ltd.	PRC**	RMB1,200,000	–	86.42	Distribution of pharmaceutical products
Suzhou Tianqing Xingwei Medicines Co., Ltd. ("Suzhou Xingwei")	PRC**	RMB30,000,000	–	33	Distribution of pharmaceutical products
Nanjing Shunxin Pharmaceutical Co., Ltd.	PRC**	RMB500,000,000	–	60	Manufacture and sale of pharmaceutical products
Tianjin Chia Tai Zhenwutang Food Co., Ltd. ("Tianjin Zhenwutang")	PRC*	RMB28,205,888	–	34.64	Manufacture and sale of health food
Zhejiang Tianqing Zhongwei Medicines Co., Ltd. ("Zhejiang Zhongwei")	PRC**	RMB30,000,000	–	33	Distribution of pharmaceutical products
Chia Tai Medicines Investment Ltd. ("CT Medicines Investment")	Hong Kong	HK$100 Ordinary	100	–	Investment holding
CP Boai Investment Ltd. ("Hong Kong Pacific")	Hong Kong	US$4,244,819	–	55	Investment holding
Beijing Fuxing Boai Vision Optical Centre Co., Ltd.	PRC**	RMB500,000	–	55	Optometry of optical glasses and sale of ophthalmic products
Jiangxi Boai Ophthalmology Center Co., Ltd.	PRC*	RMB5,000,000	–	38.50	Ophthalmic examination and diagnosis
Beijing Pacific Boai Medical Management Co., Ltd.	PRC*	US$2,520,000	–	55	Medical management consultancy services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhengzhou Puai Optical Sales Co., Ltd.	PRC**	RMB100,000	–	55	Optometry of optical glasses and sale of ophthalmic products
Linyi City People Hospital – Boai Ophthalmology Hospital	PRC**	RMB15,101,000	–	33	Ophthalmic prevention and diagnosis
Linyi Boai Vision Optical Centre Co., Ltd.	PRC**	–	–	33	Optometry of optical glasses and sale of ophthalmic products
Zhengzhou Boai Otorhinolaryngology Hospital Co., Ltd.	PRC**	RMB3,000,000	–	55	Outpatient and surgical procedures
Zhengzhou Boai Vision Optical Co., Ltd.	PRC**	RMB100,000	–	55	Optometry of optical glasses and sale of glasses
Beijing Fuxing Boai Ophthalmology Centre	PRC*	RMB13,870,032	–	41.25	Ophthalmic diagnosis
Chia Tai Resources Limited ("CT Resources")	Hong Kong	HK$10 Ordinary	100	–	Investment holding
Jiangsu Chia Tai Health Technology Co., Ltd.	PRC**	RMB49,040,000	–	51.71	Manufacture and sale of pharmaceutical products
Qingdao Hang Seng Tang Pharmacy Co. Ltd. Clinic ("QDHST Clinic")	PRC**	RMB30,000	–	93	Hospital operation and sale of pharmaceutical products
Anhui Chia Tai Healthcare Industry Co., Ltd. ("Anhui Healthcare")	PRC**	RMB107,850,000	–	43.365	Manufacture and sale of health food
Karolinska Development (Asia) Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Golden Sword Ventures Limited	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
Suzhou Suhang Pharmacy Co., Ltd.	PRC**	RMB100,000	–	33	Retail of pharmaceutical products
Champ Profit (China) Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Heroic Wise Investments Limited	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
Lianyungang Tianqing Xinte Pharmacy Ltd.	PRC**	RMB100,000	–	60	Retail of pharmaceutical products
Nanjing Junxin Medicines Technology Co., Ltd.	PRC**	RMB500,000	–	60	Medical technology development
Chia Tai Tianqing Europe SL	Spain	EUR3,000	–	60	Health information consultancy services
Chia Tai Logistics Limited	Hong Kong	HK$10 Ordinary	100	–	Investment holding
Runan Pharmaceutical Co., Ltd.	PRC**	RMB500,000	–	55.588	Development, manufacture and sale of pharmaceutical products
France Investment (China I) Group Limited ("France Investment BVI")	British Virgin Islands/Hong Kong	US$100	45	55	Investment holding
Super Demand Investments Limited ("Super Demand")	British Virgin Islands/Hong Kong	US$100	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Hangyi Pharmacy Co., Ltd.	PRC**	RMB100,000	–	33	Retail of pharmaceutical products
Chia Tai Yeheng Biotech (Shanghai) Co., Ltd. ("Yeheng")	PRC*	RMB100,000,000	–	70	Medical technology development
Beijing Tide Pharmaceutical Co., Ltd. ("Beijing Tide")	PRC*	RMB500,000,000	–	57.60	Development, manufacture and sale of pharmaceutical products
Tide Meilun Technology Development Co, Ltd.	PRC**	RMB20,000,000	–	57.60	Medical technology development
Beijing Tide Sunshine Investment Co., Ltd.	PRC**	RMB1,000,000	–	57.60	Investment holding
Hebei Dingtai Pharmaceutical Co., Ltd.	PRC**	RMB50,000,000	–	57.60	Development, manufacture and sale of pharmaceutical products
Beijing Kaditai Medical Co., Ltd. ("Kaditai")	PRC**	RMB10,000,000	–	57.60	Medical technology development
Beijing Limaisi Biotechnology Co., Ltd.	PRC**	RMB10,000,000	–	57.60	Medical technology development
Beijing Lipusen Biotechnology Co., Ltd.	PRC**	RMB10,000,000	–	57.60	Medical technology development
Beijing Keruntai Biotechnology Co., Ltd.	PRC**	RMB10,000,000	–	57.60	Research and development of pharmaceutical products
Pacific Fraternity (Beijing) Optometric Optical Accessories Co., Ltd.	PRC**	RMB1,000,000	–	55	Hospital and sale of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Pacific Fraternity (Beijing) International Medical Clinic Co., Ltd.	PRC**	RMB10,000,000	–	44	Comprehensive outpatient clinic
Nanchang Zhenmu Trading Co., Ltd.	PRC**	RMB300,000	–	55	Trading of optical glasses
Nanjing Weikang Bio-Medical Co., Ltd.	PRC**	RMB20,000,000	–	55.60	Sales and medical consultation
Jiangsu Purun Bio-Medical Co., Ltd.	PRC**	RMB20,000,000	–	55.60	R&D and production of active pharmaceutical ingredient
Nanjing Chuangte Medical Technology Co., Ltd.	PRC**	RMB129,078,785.16	–	41.25	R&D and medical consultation
Hengzhi Bio-tech (Nanjing) Co., Ltd.	PRC**	RMB20,000,000	–	70	Bio-tech transfer and consultation
Chia Tai Ching Tak Co., Ltd.	Hong Kong	HK$100 Ordinary	100	–	Investment holding
Chia Tai Yushanfang Health Technology (Hangzhou) Co., Ltd.	PRC**	RMB1,000,000	–	100	Comprehensive health technology
China Eastern Development Limited	Hong Kong	HK$10,000 Ordinary	100	–	Property holding
Trillion Rise Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
InvoX Pharma Limited ("InvoX")	Hong Kong	HK$1 Ordinary	100	–	Investment holding
QYT Pharmacy Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Data Phoenix Limited	Hong Kong	HK$7.8 Ordinary	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lucky Linkage Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Total Leader Investment Limited [1]	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Win Wealth Asia Pacific Limited [1]	Hong Kong	HK$1 Ordinary	100	–	Investment holding
C-Lab Investments GP [1]	Cayman Islands	US$50,000 Ordinary	100	–	Investment holding
Softhale NV [2]	Belgium	EUR22,722,289 Ordinary	100	–	Research and development of pharmaceutical products
Shanghai Jingmai Medical Technology Co., Ltd. [2] ("Jingmai")	PRC**	RMB3,741,600 Ordinary	–	29.376	R&D and sales of medical devices
Jingmai Medical Technology Nantong Co., Ltd. [2]	PRC**	RMB6,000,000 Ordinary	–	29.376	R&D and sales of medical devices
Shanghai Nuomai Robot Technology Co., Ltd. [2]	PRC**	RMB2,000,000 Ordinary	–	29.376	R&D and sales of medical devices

Notes:

1 Total Leader Investment Limited, Win Wealth Asia Pacific Limited and C-Lab Investments GP were newly established during the year ended 31 December 2021. The Company holds their equity interests directly.

2 Softhale NV, Shanghai Jingmai Medical Technology Co., Ltd., Jingmai Medical Technology Nantong Co., Ltd. and Shanghai Nuomai Robot Technology Co., Ltd. were newly established during the year ended 31 December 2021. The Company holds their equity interests through InvoX and Kaditai respectively.

* These subsidiaries were registered as foreign-owned enterprises under PRC law.

** These subsidiaries were registered as limited liability companies under PRC law.

*** This subsidiary was registered as a wholly-foreign owned enterprise under PRC law.

2.1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income/profit or loss, financial assets at fair value through profit or loss, contingent consideration liabilities and the embedded derivative components of convertible bonds which have been measured at fair value, as further explained in note 2.4. 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.

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 HKFRSs for the first time for the current year's financial statements.

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

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 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 HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. Additional information about the transition and the associated risks is disclosed in note 42 to the financial statements.

(b) Amendment to HKFRS 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 Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 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 HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
6 The IASB amend IFRS 17 to permit a classification overlay for financial assets presented in comparative periods on initial application of IFRS 17. This is not expected to have any significant impact on the Group's financial statements

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

Amendments to HKFRS 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 HKFRS 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 HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(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 HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 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 HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 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 HKAS 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 HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 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 HKFRS 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 HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

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

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

- HKFRS 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

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 a joint venture 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 a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or a 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 are eliminated to the extent of the Group's investments in the associates or a joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's interests in associates or a joint venture.

If an interests 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, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an interest in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities and business under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or business first came under the common control combination, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Fair value measurement

The Group measures its investment properties, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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, and financial 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 the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 the prior years. A reversal of such an impairment loss is credited to the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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);
- (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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the statement of 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 its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4% – 5%
Leasehold improvements	5% – 20%
Plant and machinery	5% – 9%
Motor vehicles	9% – 18%
Furniture and fixtures	18%

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.

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 the statement of 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 factory buildings, plant and machinery and other assets under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, installation and testing 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

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 at the date of acquisition. The useful lives of intangible assets are assessed to be finite. 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)

Unpatented technology

Intangible assets relating to unpatented technology acquired in a business combination have infinite useful lives and are tested for impairment annually either individually or at the CGU 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.

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 4 to 30 years. Trademarks 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 lives of trademarks are 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.

Customer relationship

Customer relationship with finite useful lives is measured initially at cost and is amortised on the straight-line basis over the respective estimated useful lives of 4 to 10 years.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of not exceeding 10 years.

Research and development costs

All research costs are charged to the statement of 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. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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:

Leasehold lands	40 to 50 years
Properties	1 to 5 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)

(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 machinery and equipment (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.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

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 HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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 the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income 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 the statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 HKAS 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 the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the consolidated statement of comprehensive 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the statement of 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 profit or loss are also recognised as other income in the consolidated statement of comprehensive 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 a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and other 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 and other 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, 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, amounts due to related companies, interest-bearing bank borrowings, contingent liabilities and convertible bonds.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank 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 in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the 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.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

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 and associates, 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 and associates, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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 HKFRS 15.

Sale of goods

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

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.

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).

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

The Company and the Group's subsidiaries which operate in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes (continued)

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 subsidiaries are required to contribute 20% to 23% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

There were no forfeited contributions utilised by the Group to reduce the existing level of contributions for the years ended 31 December 2020 and 2021.

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 the notes 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.

Foreign currencies

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. The functional currency of the Company is Hong Kong dollars, while the functional currency of the entities in Mainland China is RMB. The directors of the Company believe the consolidated financial statements of the Group presented in RMB will provide shareholders with a more accurate reflection of the Group's underlying financial performance and position because the Group's revenues, profits and cash flows are primarily generated in RMB and are expected to remain principally denominated in RMB in the future.

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 currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of 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 the statement of 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).

The functional currencies of the Company and certain 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 RMB at the weighted average exchange rates for the year.

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 the statement of 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.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi 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 judgements, 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:

Recognition of deferred tax assets

The Group recognised deferred tax assets which resulted from the deductible temporary differences of subsidiaries. The Group recognised deferred tax assets to the extent that it is probable that the subsidiaries will have sufficient taxable profit relating to the same taxation authority and the same taxable entity against which the deductible temporary differences can be utilised. More details are given in note 31.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 16.

Assessment of useful lives of deferred development costs

In assessing the estimated useful lives of deferred development costs, the Group takes into account factors such as the expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of management.

Fair value measurement for Level 3 investments

The Group has made unlisted investments in a wide variety of companies and these investments are accounted for as financial assets at FVTPL or designated as financial assets at fair value through other comprehensive income. The fair values of these investments are determined using valuation techniques and the Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 41. Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

Management considers the business from a product/service perspective. The three reportable segments are as follows:

(a) the modernised Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of modernised Chinese medicine products and western medicine products;

(b) the investment segment is engaged in long term investments; and

(c) the "others" segment comprises, principally related healthcare and hospital business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax.

Segment assets exclude deferred tax assets and the interests in associates and a joint venture as these assets are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
Hong Kong	**6,750,616**	5,618,466
Mainland China	**18,715,509**	9,751,140
Other countries/regions	**336,080**	257,635
	25,802,205	15,627,241

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

Information about major customers

No information about major customers is presented as no single customer contributed to over 10% or more of the Group's revenue for the years ended 31 December 2021 and 2020.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers		
Sale of industrial products	26,230,666	23,088,143
Revenue from other sources	630,690	559,081
	26,861,356	23,647,224
Other income		
Bank interest income	162,057	194,003
Dividend income	2,383	4,532
Government grants*	135,247	116,469
Sale of materials	26,621	89,258
Investment income	395,450	321,747
Gross rental income	5,769	6,946
Others	79,486	60,250
	807,013	793,205
Gains		
Gain on disposal of items of property, plant and equipment	3,731	4,580
Fair value gains, net:		
Equity investments designated at fair value through profit or loss	–	19,978
Financial assets at fair value through profit or loss	17,113	9,273
Financial liabilities at fair value through profit or loss	241,072	–
Financial assets at fair value through profit or loss (Non-current)	–	414,187
	261,916	448,018
Total other income and gains	1,068,929	1,241,223

* Various government grants have been received for setting up research activities in Mainland China. Government grants received for which related expenditure has not yet been undertaken are included in deferred government grants in the statement of financial position.

6. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**5,332,095**	5,182,320
Depreciation of property, plant and equipment	13	**779,248**	771,861
Depreciation of investment properties	14	**21,225**	44,684
Depreciation of right-of-use assets	15	**102,166**	74,800
Amortisation of intangible assets*	17	**89,917**	763,491
Research and development costs		**3,677,259**	2,626,709
Loss on disposal of items of property, plant and equipment, net	5	**4,278**	593
Bank interest income	5	**(162,057)**	(194,003)
Investment income	5	**(395,450)**	(321,747)
Fair value (gains)/losses, net:	5		
Equity investments designated at fair value through profit or loss		**15,748**	(19,978)
Financial assets at fair value through profit or loss		**(17,113)**	(9,273)
Financial assets at fair value through profit or loss (Non-current)		**266,746**	(414,187)
Embedded derivative instrument at fair value through profit or loss		**(241,072)**	(88,009)
Minimum lease payments under operating leases:			
Lease payments not included in the measurement of lease liabilities		**129,307**	129,176
Auditor's remuneration		**6,000**	4,840
Employee benefit expense (including directors' remuneration (note 8)) in selling and distribution costs and administrative expenses:			
Wages and salaries		**3,699,273**	3,136,094
Pension scheme contributions		**868,709**	590,260
		4,567,982	3,726,354
Accrual of impairment losses of trade receivables	23	**1,621**	(3,082)
Impairment of investment in an associate**	18	**154,655**	–
Impairment of financial assets included in prepayments, other receivables and other assets**		**60,000**	69,283
Impairment of goodwill**	16	**47,254**	–
Impairment of intangible assets**	17	**441,098**	–
Foreign exchange differences, net		**(292,297)**	61,800

* The amortisation of intangible assets for the year was included in "Cost of sales", "Administrative expenses" and "Other expenses" on the face of the consolidated statement of profit or loss.

** The impairment of investment in an associate, impairment of financial assets included in prepayments, other receivables and other assets, impairment of goodwill, impairment of intangible assets were included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings	179,623	215,307
Interest on convertible bonds	109,275	101,511
Interest on lease liabilities	19,719	6,550
	308,617	323,368

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	1,728	1,377
Other emoluments:		
Salaries, allowances and benefits in kind	76,653	81,628
Pension scheme contributions	181	176
Discretionary bonuses	98,094	87,602
	174,928	169,406
	176,656	170,783

(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. Lu Zhengfei	352	352
Mr. Li Dakui	352	352
Ms. Lu Hong	320	320
Mr. Zhang Lufu	352	352
Dr. Donald Li	352	1
	1,728	1,377

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

2021

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employee share option benefits RMB'000	Pension scheme benefits RMB'000	Total remuneration RMB'000
Executive directors:						
Ms. Tse, Theresa Y Y	–	11,870	23,242	–	15	35,127
Ms. Cheng Cheung Ling	–	12,949	16,602	–	15	29,566
Mr. Tse, Eric S Y	–	6,475	16,602	–	15	23,092
Mr. Tse Hsin	–	1,834	3,984	–	15	5,833
Mr. Li Yi, David	–	17,312	11,331	–	–	28,643
Mr. Wang Shanchun	–	7,716	–	–	17	7,733
Mr. Tian Zhoushan	–	1,710	–	–	104	1,814
Ms. Li Mingqin	–	600	600	–	–	1,200
	–	60,466	72,361	–	181	133,008
Chief executive:						
Mr. Tse Ping	–	16,187	25,733	–	–	41,920
	–	76,653	98,094	–	181	174,928

2020

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employee share option benefits RMB'000	Pension scheme benefits RMB'000	Total remuneration RMB'000
Executive directors:						
Ms. Tse, Theresa Y Y	–	12,719	17,789	–	18	30,526
Ms. Cheng Cheung Ling	–	13,875	17,789	–	18	31,682
Mr. Tse, Eric S Y	–	6,938	17,789	–	18	24,745
Mr. Tse Hsin	–	1,966	2,669	–	18	4,653
Mr. Li Yi, David	–	18,550	4,341	–	5	22,896
Mr. Wang Shanchun	–	7,716	–	–	17	7,733
Mr. Tian Zhoushan	–	1,935	–	–	82	2,017
Ms. Li Mingqin	–	585	542	–	–	1,127
	–	64,284	60,919	–	176	125,379
Chief executive:						
Mr. Tse Ping	–	17,344	26,683	–	–	44,027
	–	81,628	87,602	–	176	169,406

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year represented five (2020: five) directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021 RMB'000	2020 RMB'000
Current – Hong Kong	–	–
Current – Mainland China	740,688	830,003
Deferred tax (note 30)	1,217,192	(157,626)
Total tax charge for the year	1,957,880	672,377

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

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

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

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

In the year ended 31 December 2021, NJCTT, CT Tianqing, Beijing Tide, Jiangsu Fenghai, Jiangsu Qingjiang, Shanghai Tongyong, Qingdao Chai Tai and LYG Runzhong were entitled to a corporate income tax rate of 15% because they were qualified as "High and New Technology Enterprises".

Other than the above-mentioned entities, the entities located in Mainland China were subject to corporate income tax at a rate of 25% in 2021.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008 with 5% and 10%, respectively.

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

2021

	Mainland China RMB'000	Hong Kong RMB'000	Others RMB'000	Total RMB'000
Profit before tax	**5,586,666**	**13,531,762**	**(545,755)**	**18,572,673**
Tax at the statutory tax rate	**1,396,667**	**2,232,741**	**(136,439)**	**3,492,969**
Less: Preferential tax rate reduction	**(576,245)**	**–**	**–**	**(576,245)**
Income not subject to tax	**(11,167)**	**(2,303,810)**	**–**	**(2,314,977)**
Expenses not deductible for tax	**200,024**	**71,069**	**–**	**271,093**
Additional tax deduction for research and development expenses	**(354,857)**	**–**	**–**	**(354,857)**
Tax losses not recognised	**52,221**	**–**	**20,623**	**72,844**
	706,643	**–**	**(115,816)**	**590,827**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries				**114,938**
Effect of withholding tax at 10% on the distributable profits of the Group's PRC associate				**1,252,115**
Tax charge at the Group's effective rate				**1,957,880**

2020

	Mainland China RMB'000	Hong Kong RMB'000	Total RMB'000
Profit before tax	4,866,716	146,328	5,013,044
Tax at the statutory tax rate	1,216,679	24,144	1,240,823
Less: Preferential tax rate reduction	(504,753)	–	(504,753)
Income not subject to tax	(12,756)	(70,969)	(83,725)
Expenses not deductible for tax	127,268	46,825	174,093
Additional tax deduction for research and development expenses	(286,610)	–	(286,610)
Tax losses not recognised	92,281	–	92,281
	632,109	–	632,109
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries			40,268
Tax charge at the Group's effective rate			672,377

11. DIVIDENDS

	2021	2020
Interim – HK$0.04 (equivalent to RMB0.0332) (2020: HK$0.06 (equivalent to RMB0.0534)) per ordinary share	623,338	894,944
Proposed final – HK$0.04 (equivalent to RMB0.0332) (2020: HK$0.02 (equivalent to RMB0.0178)) per ordinary share	623,338	311,669
	1,246,676	1,206,613

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 for the year attributable to ordinary equity holders of the parent for the year of approximately RMB14,608,412,000 (2020: approximately RMB2,771,086,000), and the weighted average number of ordinary shares of 18,768,649,757 (2020: 18,800,284,155).

The calculation of the diluted earnings per share amounts for the year ended 31 December 2021 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, fair value changes on the embedded derivative components of convertible bonds and the exchange alignment on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

	2021 RMB'000
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	14,608,412
Interest on convertible bonds	109,275
Exchange adjustments	(350,714)
Fair value gain on the derivative component of the convertible bonds	(241,072)
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	14,125,901

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	No. of shares 2021
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	18,768,649,757
Effect of dilution – weighted average number of ordinary shares:	
Convertible bonds	514,305,333
	19,282,955,090

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2021

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021:							
Cost	3,655,952	126	3,610,094	232,788	1,703,348	987,825	10,190,133
Accumulated depreciation	(827,406)	-	(1,381,427)	(185,743)	(925,269)	-	(3,319,845)
Net carrying amount	2,828,546	126	2,228,667	47,045	778,079	987,825	6,870,288
At 1 January 2021, net of accumulated depreciation	2,828,546	126	2,228,667	47,045	778,079	987,825	6,870,288
Additions	58,727	-	153,640	17,265	173,820	1,004,803	1,408,255
Acquisition of subsidiaries(note 36)	-	-	518	-	388	162	1,068
Depreciation provided during the year	(170,314)	-	(256,768)	(26,285)	(325,881)	-	(779,248)
Disposals	(50,950)	(126)	(21,679)	(3,983)	(3,666)	(56,069)	(136,473)
Transfer from construction in progress	116,425	-	384,001	120	6,202	(506,748)	-
Transfer to investment property	(202,841)	-	-	-	-	-	(202,841)
Transfer to expense	-	-	-	-	-	(3,748)	(3,748)
Exchange realignment	(1,734)	-	(103)	(35)	(1,131)	-	(3,003)
	2,577,859	-	2,488,276	34,127	627,811	1,426,225	7,154,298
At 31 December 2021:							
Cost	3,571,122	-	4,062,847	223,659	1,845,261	1,426,225	11,129,114
Accumulated depreciation	(993,263)	-	(1,574,571)	(189,532)	(1,217,450)	-	(3,974,816)
Net carrying amount	2,577,859	-	2,488,276	34,127	627,811	1,426,225	7,154,298

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2020

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020:							
Cost or valuation	2,853,759	343	3,289,397	239,295	1,248,115	1,365,223	8,996,132
Accumulated depreciation	(551,259)	–	(1,248,895)	(169,399)	(647,242)	–	(2,616,795)
Net carrying amount	2,302,500	343	2,040,502	69,896	600,873	1,365,223	6,379,337
At 1 January 2020, net of accumulated depreciation	2,302,500	343	2,040,502	69,896	600,873	1,365,223	6,379,337
Additions	7,084	–	92,660	1,979	278,889	810,430	1,191,042
Depreciation provided during the year	(260,053)	–	(180,824)	(22,227)	(308,757)	–	(771,861)
Disposals	(24,000)	(217)	(68,257)	(2,550)	(6,717)	–	(101,741)
Transfer from construction in progress	612,568	–	344,582	–	217,042	(1,174,192)	–
Transfer from investment property	191,037	–	–	–	–	–	191,037
Transfer to expense	–	–	–	–	–	(13,636)	(13,636)
Exchange realignment	(590)	–	4	(53)	(3,251)	–	(3,890)
	2,828,546	126	2,228,667	47,045	778,079	987,825	6,870,288
At 31 December 2020:							
Cost or valuation	3,655,952	126	3,610,094	232,788	1,703,348	987,825	10,190,133
Accumulated depreciation	(827,406)	–	(1,381,427)	(185,743)	(925,269)	–	(3,319,845)
Net carrying amount	2,828,546	126	2,228,667	47,045	778,079	987,825	6,870,288

At 31 December 2021, certain of the Group's buildings with a net carrying amount of approximately RMB265,344,000 (2020: approximately RMB261,978,000) were pledged to secure general banking facilities granted to the Group (note 28).

14. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
At 1 January:		
Cost	**438,189**	680,996
Accumulated depreciation	**(129,630)**	(117,601)
Net carrying amount	**308,559**	563,395
At 1 January, net of accumulated depreciation	**308,559**	563,395
Transfer from property, plant and equipment	**202,841**	–
Transfer from right-of-use assets	**225,085**	–
Transfer to property, plant and equipment	**–**	(191,037)
Depreciation provided during the year	**(21,225)**	(44,684)
Effect of foreign exchange rate changes, net	**(9,634)**	(19,116)
At 31 December, net of accumulated depreciation	**705,626**	308,558
At 31 December:		
Cost	**897,254**	438,189
Accumulated depreciation	**(191,628)**	(129,630)
Net carrying amount	**705,626**	308,559

The Group's investment properties consist of two commercial property in Hong Kong (2020: two), six commercial properties in Mainland China (2020: none), which are held to earn rentals. The properties are measured initially and subsequently at cost. Depreciation commences on the day the transaction of purchase is completed and is calculated on the straight-line basis over 20 to 50 years.

The Group's investment properties located in Hong Kong and in Mainland China as at 31 December 2021 were revalued as at that date by independent professionally qualified external appraisal firms, RHL Appraisal Ltd. and Shanghai Oriental Appraisal Co., Ltd, with fair value of approximately RMB336,939,000 (2020: RMB432,000,000) and RMB628,596,000 (2020: Nil), respectively.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

The properties with a net carrying amount of HK$340,388,000 (approximately equivalent to RMB277,700,000) (2020: HK$366,404,000 (approximately equivalent to RMB308,551,000)) have been mortgaged for bank loans as mentioned in note 28.

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

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**
Investment properties	**–**	**–**	**965,536**	**965,536**

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
Investment properties	–	–	432,000	432,000

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	**Significant unobservable inputs**	**Range or weighted average**	
			2021	2020
Investment properties	Market comparison method	Adjusted market price	**RMB9,310-RMB15,712per square feet**	RMB12,878-RMB20,115per square feet

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold lands and properties. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 year or less to 8 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

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

	Leasehold lands RMB'000	Properties RMB'000	Total RMB'000
As at 1 January 2020	1,191,257	62,629	1,253,886
Additions	70,866	271,964	342,830
Depreciation charge	(28,138)	(46,662)	(74,800)
As at 1 January 2021	1,233,985	287,931	1,521,916
Additions	26,931	147,349	174,280
Depreciation charge	(28,525)	(73,641)	(102,166)
Transfer to investment properties	(225,085)	–	(225,085)
Exchange realignment	–	(7,181)	(7,181)
As at 31 December 2021	1,007,306	354,458	1,361,764

At 31 December 2021, the Group's land with a net carrying amount of approximately RMB311,241,000 (2020: RMB285,860,000) was pledged to secure general banking facilities granted to the Group (note 28).

15. LEASES (continued)

(b) *Lease liabilities*

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

	2021 Lease liabilities RMB'000	2020 Lease liabilities RMB'000
Carrying amount at 1 January	**293,560**	64,349
New leases	**147,219**	271,964
Accretion of interest recognised during the year	**19,719**	6,550
Payments	**(80,708)**	(49,303)
Exchange realignment	**4,632**	–
Carrying amount at 31 December	**384,422**	293,560
Analysed into:		
Current portion	**64,473**	28,699
Non-current portion	**319,949**	264,861

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

	2021 Lease liabilities RMB'000	2020 Lease liabilities RMB'000
Interest on lease liabilities	**19,719**	6,550
Depreciation charge of right-of-use assets	**102,166**	74,800
Expense relating to leases of short-term and low-value assets (included in administrative expenses)	**129,307**	129,176
Total amount recognised in profit or loss	**251,192**	210,526

15. LEASES (continued)

(d) *The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 38(b) to the financial statements.*

The Group as a lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms from 1 year or less to three year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2021 RMB'000	2020 RMB'000
Within one year	20,472	5,176
In the second to fifth years, inclusive	18,599	–
	39,071	5,176

16. GOODWILL

	2021 RMB'000	2020 RMB'000
Cost at 1 January, net of accumulated impairment	88,926	88,926
Acquisition of subsidiaries	651,599	–
Impairment	(47,254)	–
Exchange alignment	(45,341)	–
Cost and net carrying amount at 31 December	647,930	88,926
At 31 December:		
Cost	695,184	88,926
Accumulated impairment	(47,254)	–
Net carrying amount	647,930	88,926

16. GOODWILL

Impairment testing of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The carrying amount of goodwill of the Group is related to fourteen different cash-generating units ("CGUs"), namely Softhale NV, Jingmai, Hong Kong Pacific, Zhejiang Zhongwei, Suzhou Xingwei, Shanghai Tongyong, Shaoyang Hospital, and seven other subsidiaries of the Group acquired in previous years.

The recoverable amounts of the goodwill attributable to the acquisition of equity interests in these CGUs have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a period ranging from five to nine years approved by senior management.

The discount rates applied to the cash flow projections ranged from 11.5% to 18.2% (2020: 13% to 16%). The growth rate used to extrapolate the cash flows beyond the period is 3% (2020: 3%), which is based on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rate – The growth rate is based on industry growth forecasts.

Changes in selling prices and direct costs – These are based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rate and changes in selling prices and direct costs are consistent with external information sources. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of each CGU to exceed its recoverable amount.

17. INTANGIBLE ASSETS

	Patents and licences RMB'000	Development costs RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Total RMB'000
31 December 2021					
Cost at 1 January 2021,					
net of accumulated amortisation	**186,251**	**699,363**	**39,096**	**–**	**924,710**
Additions	**10,007**	**142,915**	**–**	**–**	**152,922**
Amortisation provided during the year	**(16,814)**	**(69,819)**	**(3,284)**	**–**	**(89,917)**
Acquisition of subsidiaries(note36)	**510,950**	**–**	**8,500**	**–**	**519,450**
Impairment during the year	**(414,471)**	**–**	**(26,627)**	**–**	**(441,098)**
Exchange realignment	**(2,051)**	**–**	**–**	**–**	**(2,051)**
At 31 December 2021	**273,872**	**772,459**	**17,685**	**–**	**1,064,016**
At 31 December 2021					
Cost	**764,597**	**950,887**	**1,064,424**	**1,928,000**	**4,707,908**
Provision of impairment	**(414,471)**	**–**	**(26,627)**	**–**	**(441,098)**
Accumulated amortisation	**(76,254)**	**(178,428)**	**(1,020,112)**	**(1,928,000)**	**(3,202,794)**
Net carrying amount	**273,872**	**772,459**	**17,685**	**–**	**1,064,016**

	Patents and licences RMB'000	Development costs RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Total RMB'000
31 December 2020					
Cost at 1 January 2020,					
net of accumulated amortisation	47,026	503,150	292,035	482,001	1,324,212
Additions	149,846	214,143	–	–	363,989
Amortisation provided during the year	(10,621)	(17,930)	(252,939)	(482,001)	(763,491)
At 31 December 2020	186,251	699,363	39,096	–	924,710
At 31 December 2020					
Cost	245,691	807,972	1,055,924	1,928,000	4,037,587
Accumulated amortisation	(59,440)	(108,609)	(1,016,828)	(1,928,000)	(3,112,877)
Net carrying amount	186,251	699,363	39,096	–	924,710

18. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Share of net assets	**10,944,222**	1,746,414
Goodwill on acquisition	**3,524,777**	3,352,171
	14,468,999	5,098,585
Provision for impairment	**(202,603)**	(47,948)
	14,266,396	5,050,637

Particulars of the material associates and a joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Sinovac Life Sciences Co., Ltd. ("Sinovac LS")	Ordinary shares	PRC Mainland China	15.03%	Vaccines research and development

The above table lists the associate of the Group 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 associates and a joint venture would, in the opinion of the directors, result in particulars of excessive length.

(i) Sinovac Life Sciences

	2021 RMB'000	2020 RMB'000
Share of net assets	**10,051,831**	669,893
Goodwill on acquisition	**2,865,701**	2,865,701
	12,917,532	3,535,594

The Group considers that it exerts significant influence on Sinovac Life Sciences as it had the power to appoint one out of five directors. Sinovac Life Sciences focuses on pharmaceutical research in the therapeutic fields of antiviral, hematology, oncology and immunology, and degenerative diseases.

18. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(i) Sinovac Life Sciences (Continued)

The following table illustrates the summarised financial information of Sinovac Life Sciences adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

	2021 RMB'000	2020 RMB'000
Current assets	78,083,876	7,287,400
Non-current assets	5,734,502	760,411
Current liabilities	(15,910,893)	(3,135,200)
Non-current liabilities	(1,029,038)	(455,571)
Net assets	66,878,447	4,457,040
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	15.03%	15.03%
Group's share of net assets of the associate	10,051,831	669,893
Goodwill on acquisition (less accumulated impairment)	2,865,701	2,865,701
Carrying amount of the investment	12,917,532	3,535,594
Revenue	122,455,954	1,431,262
Profit for the year	92,114,197	983,507
Total comprehensive income for the year	92,110,224	983,507
Dividend received	4,462,171	–

(ii) Others

The following table illustrates the aggregate financial information of the Group’s associates and a joint venture that are not individually material:

	2021 RMB’000	2020 RMB’000
Share of the associates and a joint venture’s loss for the year	(213,243)	(151,055)
Share of the associates and a joint venture’s total comprehensive loss	(168,721)	(98,075)
Aggregate carrying amount of the Group’s interests in the associates and a joint venture	1,348,864	1,515,043

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		
Equity investments, at fair value	1,988,238	1,991,107

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.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Financial assets at fair value through profit or loss		
Current		
Wealth management products and trust funds	4,250,533	3,827,056
Non-current		
Other unlisted investments, at fair value	3,942,851	3,865,074

For wealth management products, the Group entered into the investment contracts with several PRC financial institutions with a floating return which will be paid together with the principal on the maturity date.

The other unlisted investments measured at financial assets at fair value through profit or loss mainly represent convertible redeemable preferred shares which the Group has the right to require and demand the investee to redeem the shares held by the Group upon redemption events that are out of control of issuers (31 December 2021 and 2020: RMB3,735,175,000 and RMB3,865,074,000).

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Listed equity investments, at fair value	405,206	389,675

22. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**498,006**	779,443
Work in progress	**378,299**	626,166
Finished goods	**976,999**	433,532
Spare parts and consumables	**84,437**	40,910
	1,937,741	1,880,051

23. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**3,275,154**	2,248,409
Bills receivable	**971,548**	690,082
Impairment	**(26,035)**	(24,414)
	4,220,667	2,914,077

The fair value of bills receivable approximates to their carrying amount.

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 periods range from 60 days to 180 days. The Group seeks to maintain a strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

	2021 RMB'000	2020 RMB'000
Current to 90 days	**3,573,203**	2,289,584
91 days to 180 days	**547,008**	519,447
over 180 days	**100,456**	105,046
	4,220,667	2,914,077

23. TRADE AND BILLS RECEIVABLES (continued)

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

	2021 RMB'000	2020 RMB'000
At beginning of year	24,414	27,496
Impairment losses recognised (note 6)	1,621	(3,082)
At end of year	26,035	24,414

Impairment under HKFRS 9 for the year ended 31 December 2021

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

		Past due				
	Current	Less than 30 days	Between 31 and 90 days	Between 91 and 180 days	Over 180 days	Total
Expected credit loss rate	0.00%	0.00%	8.14%	10.01%	17.62%	0.61%
Gross carrying amount (RMB'000)	3,613,512	351,646	199,307	61,382	20,855	4,246,702
Expected credit losses (RMB'000)	–	–	16,215	6,145	3,675	26,035

As at 31 December 2020

		Past due				
	Current	Less than 30 days	Between 31 and 90 days	Between 91 and 180 days	Over 180 days	Total
Expected credit loss rate	0.00%	0.00%	6.86%	9.09%	24.99%	0.83%
Gross carrying amount (RMB'000)	2,301,000	354,865	208,528	52,880	21,218	2,938,491
Expected credit losses (RMB'000)	–	–	14,304	4,807	5,303	24,414

23. TRADE AND BILLS RECEIVABLES (continued)

Financial assets that are derecognised in their entirety

At 31 December 2021, 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 approximately RMB706,388,000 (2020: approximately RMB917,235,000). The Derecognised Bills had maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills shall have recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all the 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 exposures 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.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Current		
Prepayments	**233,070**	405,745
Other receivables	**911,825**	1,036,138
Investment in wealth management products	**569,500**	956,008
Prepaid expenses	**1,057**	833
	1,715,452	2,398,724
Non-current		
Prepayments and other asset	**602,175**	381,652

The carrying amounts of other receivables, prepayments, investment in wealth management products and prepaid expenses approximate to their fair values due to their relatively short maturity terms.

For wealth management products, the Group entered into the investment contracts with several PRC financial institutions with a fixed return which will be paid together with the principal on the maturity date.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. CASH AND BANK BALANCES

	2021 RMB'000	2020 RMB'000
Cash and bank balances, unrestricted	**6,213,974**	6,596,500
Time deposits with original maturity of less than three months	**3,385,563**	4,027,694
Time deposits with original maturity of more than three months	**969,275**	634,890
Cash and bank balances	**10,568,812**	11,259,084

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to approximately RMB6,139,791,000 (2020: approximately RMB5,104,443,000) in Mainland China. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

At the end of the reporting period, the bank deposits with a term of three years amounting RMB4,972,000,000 carried interest at market interest rates ranging from 3.36% to 4.18% per annum (2020: RMB2,950,000,000 with an interest rates ranging from 3.38% to 4.18%).

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

26. TRADE AND BILLS PAYABLES

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

	2021	2020
	RMB'000	RMB'000
Current to 90 days	**1,073,974**	970,392
91 days to 180 days	**441,548**	717,441
Over 180 days	**177,630**	259,969
	1,693,152	1,947,802

Trade and bills payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and bills payables approximate to their fair values due to their relatively short maturity terms.

27. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	RMB'000
Accrued payroll and bonuses	**1,674,985**	1,375,424
Other payables	**1,343,958**	2,960,899
Accrued expenses	**3,160,738**	2,555,037
Staff welfare and bonus fund	**67,634**	54,493
Tax payable other than profits tax	**242,483**	205,437
Contract liabilities	**238,202**	202,222
	6,728,000	7,353,512

Other payables are non-interest-bearing and have an average term of three months. The carrying amounts of the other payables and accruals approximate to their fair values due to their relatively short maturity terms.

28. INTEREST-BEARING BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Analysed as:		
Unsecured	6,447,375	6,850,295
Secured (Note)	486,527	1,624,645
	6,933,902	8,474,940
Analysed as:		
Fixed interest rate	1,065,067	539,209
Variable interest rate	5,868,835	7,935,731
	6,933,902	8,474,940
Analysed as:		
Borrowings from banks	6,933,902	8,474,940
	6,933,902	8,474,940
The carrying amounts of the above borrowings are repayable:		
Within one year	6,520,565	1,552,825
Within a period of more than one year, but not exceeding two years	66,900	6,572,826
Within a period of more than two years, but not exceeding five years	93,000	95,000
Over five years	253,437	254,289
	6,933,902	8,474,940
Less Amounts due within one year shown under current liabilities	6,520,565	1,552,825
Amounts shown under non-current liabilities	413,337	6,922,115

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed rate borrowings	2.00%-5.64%	2.00%-5.64%
Variable rate borrowings	0.79%-2.00%	0.84%-1.98%

As at 31 December 2021, the Group's buildings with carrying amount of approximately RMB265,344,000, leasehold land with a carrying amount of approximately RMB311,241,000, investment properties with a carrying amount of approximately RMB277,700,000 and bank deposit (the carrying amount of RMB100,000,000) were pledged to secure the borrowings of RMB486,527,000 (2020: the net carrying amount of the buildings is approximately RMB261,978,000; the net carrying amount of the leasehold land is approximately RMB285,860,000; the net carrying amount of the investment properties is approximately RMB308,551,000)

29. CONVERTIBLE BONDS

On 17 February 2020, the Company completed the issuance and listing of EUR750,000,000 zero coupon convertible bonds due 2025 by way of debt issues to professional investors only. The bonds may be converted into conversion shares pursuant to the terms and conditions. Assuming full conversion of the bonds at the initial conversion price of HK$19.09 per share and no further issue of shares, the bonds will be convertible into 338,380,041 shares, representing approximately 2.69 percent of the issued share capital of the Company as at 17 February 2020, and approximately 2.62 percent of the issued share capital of the Company as at 17 February 2020 as enlarged by the issue of the conversion shares upon full conversion of the bonds. The conversion shares to be issued upon conversion of the bonds will rank pari passu and carry the same rights and privileges in all respects with the shares then in issue on the relevant registration date.

On 20 July 2020, the Company made an adjustment to the Conversion Price as a result of the Bonus Issue. The Conversion Price has been adjusted from HK$19.09 per Share to HK$12.72 per Share with effect from 25 July 2020. The maximum number of Conversion Shares that will be issued upon conversion of all the outstanding Bonds at the current Conversion Price and the adjusted Conversion Price is 338,380,041 Shares and 507,836,084 Shares, respectively, representing an increase of 169,456,043 Shares issuable under the Bonds.

On 26 June 2021, the Company made an adjustment to the Conversion Price in accordance with the terms and conditions of the Bonds that an adjustment will be made to the Conversion Price on the date after the record date for the payment of the final dividend for the year ended 31 December 2020 and the quarterly dividend for the three months ended 31 March 2021.The Conversion Price will be adjusted from HK$12.72 per Share to HK$12.56 per Share with effect from 26 June 2021.The maximum number of Conversion Shares that will be issued upon conversion of all the outstanding Bonds at the current Conversion Price and the adjusted Conversion Price is 507,836,084 Shares and 514,305,333 Shares, respectively, representing an increase of 6,469,249 Shares issuable under the Bonds.

On 21 to 23 December 2021, the Company redeemed EUR37,500,000 zero coupon convertible bonds with total consideration of EUR36,000,000, approximately equivalent to RMB259,395,957,000.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds comprise two components:

(a) was initially measured at fair value amounting to EUR680,291,296 (equivalent to RMB5,146,104,365). It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which were initially measured at fair value amounting to EUR69,708,704 (equivalent to RMB527,315,677) and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs of EUR8,137,605 (equivalent to RMB61,557,402) that are related to the issue of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

29. CONVERTIBLE BONDS (continued)

The convertible bonds issued during the year have been split into the liability and equity components as follows:

2021

	Debt component RMB'000	Embedded derivative component RMB'000	Total RMB'000
As at 31 December, 2020	**5,441,324**	**439,188**	**5,880,512**
Repurchase	**(252,588)**	**(8,043)**	**(260,631)**
Exchange adjustments	**(498,822)**	**(37,276)**	**(536,098)**
Interest charged	**109,275**	**–**	**109,275**
Fair value change on derivative components	**–**	**(241,072)**	**(241,072)**
As at 31 December, 2021	**4,799,189**	**152,797**	**4,951,986**

2020

	Debt component RMB'000	Embedded derivative component RMB'000	Total RMB'000
Issue of EUR750,000,000 convertible bonds	5,146,104	527,197	5,673,301
Transaction costs	(55,837)	–	(55,837)
Exchange adjustments	249,546	–	249,546
Interest charged	101,511	–	101,511
Loss arising on changes of fair value	–	(88,009)	(88,009)
As at 31 December, 2020	5,441,324	439,188	5,880,512

30. DEFERRED GOVERNMENT GRANTS

The Group's deferred government grants represented government grants received for projects and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed.

31. DEFERRED TAX

Deferred tax liabilities

2021

	Development costs RMB'000	Fair value adjustment of financial investment at fair value through profit or loss RMB'000	Withholding tax RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Acquisition RMB'000	Total RMB'000
At 1 January 2021	94,275	6,224	314,780	134,130	49,672	599,081
Acquisition of subsidiaries	–	–	–	–	129,866	129,866
Deferred tax charged/(credited) to the statement of profit or loss (note 10)	10,801	8,992	1,367,053	(11,776)	(104,345)	1,270,725
Realised during the year	–	–	(473,327)	–	–	(473,327)
Gross deferred tax liabilities at 31 December 2021	105,076	15,216	1,208,506	122,354	75,193	1,526,345

Deferred tax assets

2021

	Tax loss RMB'000	Government grants RMB'000	Provision for receivables RMB'000	Accruals RMB'000	Elimination of profits on inventories RMB'000	Total RMB'000
At 1 January 2021	–	110,877	18,355	582,745	178,818	890,795
Acquisition of subsidiaries	35,292	–	–	–	–	35,292
Deferred tax credited/(charged) to the statement of profit or loss (note 10)	12,198	(1,352)	(2,697)	67,745	(22,361)	53,533
Gross deferred tax assets at 31 December 2021	47,490	109,525	15,658	650,490	156,457	979,620

31. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**334,865**
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(881,590)**
	(546,725)

Deferred tax liabilities

2020

	Development costs RMB'000	Fair value adjustment of financial investment at fair value through profit or loss RMB'000	Revaluation of properties RMB'000	Withholding tax RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Acquisition RMB'000	Total RMB'000
At 31 December 2019	64,843	17,367	110,783	267,851	144,799	1,119,299	1,724,942
Effect of changing accounting policy	–	–	(110,783)	6,660	–	(957,552)	(1,061,675)
At 1 January 2020 (restated)	64,843	17,367	–	274,511	144,799	161,747	663,267
Deferred tax charged/(credited) to the statement of profit or loss (note 10)	33,896	6,224	–	149,957	26,077	–	216,154
Realised during the year	(4,464)	(17,367)	–	(109,688)	(36,746)	(112,075)	(280,340)
Gross deferred tax liabilities at 31 December 2020	94,275	6,224	–	314,780	134,130	49,672	599,081

31. DEFERRED TAX (continued)

Deferred tax assets

2020

	Leases RMB'000	Government grants RMB'000	Provision for receivables RMB'000	Accruals RMB'000	Building revaluation depreciation RMB'000	Elimination of profits on inventories RMB'000	Total RMB'000
At 31 December 2019	330	100,221	10,927	516,193	23,596	169,685	820,952
Effect of change in accounting policy	(330)	–	–	330	(23,596)	–	(23,596)
At 1 January 2020 (restated)	–	100,221	10,927	516,523	–	169,685	797,356
Deferred tax credited/(charged) to the statement of profit or loss (note 10)	–	10,656	7,428	66,222	–	9,133	93,439
Gross deferred tax assets at 31 December 2020	–	110,877	18,355	582,745	–	178,818	890,795

For presentation purposes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	463,366
Net deferred tax liabilities recognised in the consolidated statement of financial position	(171,652)
	291,714

The Group has tax losses arising in Hong Kong of approximately RMB204,034,000 (2020: approximately RMB204,034,000) 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 accumulated tax losses of approximately RMB1,579,272,000 ((2020: approximately RMB1,287,836,000) as they have occurred and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

32. SHARE CAPITAL

Shares

	2021 RMB'000	2020 RMB'000
Issued and fully paid: 18,839,594,230 ordinary shares of HK0.025 each (2020: 18,861,499,230 of HK0.025 each)	**415,440**	415,895

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

	Number of shares in issue	Share capital RMB'000
As at 1 January 2020	**12,588,304,487**	**278,451**
Bonus share (Note (a))	**6,290,875,743**	**137,837**
Shares repurchased and cancelled (Note (b))	**(17,681,000)**	**(393)**
At 31 December 2020 and 1 January 2021	**18,861,499,230**	**415,895**
Shares repurchased and cancelled (Note (b))	**(21,905,000)**	**(455)**
At 31 December 2021	**18,839,594,230**	**415,440**

Notes:

(a) A bonus issue of one bonus share for every two existing shares held by member on the register of members on 24 July 2020 was made, resulting in the issue of 6,290,875,743 shares.

(b) In December 2021, the Company has repurchased 24,905,000 ordinary shares of HK$0.025 each on the Stock Exchange at a total consideration of approximately HK$152,003,000 (approximately RMB126,776,000 (excluding expenses), of which, 21,905,000 ordinary shares have been cancelled as at 31 December 2021.

33. SHARE OPTION SCHEME/SHARE AWARD SCHEME

Share option scheme

The Company operates a share option scheme (the "2013 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The 2013 Scheme became effective on 28 May 2013 upon the listing of the Company's shares on the Main Board, unless otherwise cancelled or amended, the 2013 Scheme remains in force for 10 years from that date.

The maximum number of shares which may be allotted to and issued upon the exercise of all outstanding share options granted and yet to be exercised under the 2013 Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the relevant class of shares of the Company in issue at any time.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with the maximum number of shares in respect of which options over shares or other securities may be granted by the Group under any other scheme shall not exceed 10% of the issued share capital as at the date of adoption of the 2013 Scheme.

The total number of shares issued and to be issued upon exercise of options granted under the 2013 Scheme and any other share option schemes of the Company to each participant, including cancelled, exercised and outstanding options, in any 12-month period up to the date of grant, shall not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of such limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. Where any grant of share options to a substantial shareholder of the Company or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2013 Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK$5 million, such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the share options granted to a substantial shareholder of the Company or any independent non-executive director, or any of their respective associates must be approved by the shareholders in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. A share option may be exercised in accordance with the terms of the 2013 Scheme at any time during a period to be determined on the date of offer of grant of a share option and notified by the directors to each grantee. The exercise period may commence once the offer of the grant is accepted by the grantee within the prescribed time from the date of its offer and shall end in any event not later than 10 years from the date grant of the share option. Unless otherwise determined by the directors and provided in the offer of grant of options to a grantee, there is no minimum period required under the 2013 Scheme for the holding of a share option before it can be exercised.

33. SHARE OPTION SCHEME SHARE AWARD SCHEME (continued)

Share option scheme (continued)

The exercise price of the shares under the 2013 Scheme shall be a price determined by the board of directors but shall not be less than the highest of (i) the closing price of the shares on the date of the offer of the grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to Clause 10 of the Rules of the 2013 Scheme regarding the alteration in the capital structure of the Company and the approval of the shareholders for the subdivision of the every issued and un-issued share of HK$0.10 into four shares of HK$0.025 each, the outstanding share options and the exercise price have been adjusted under the 2013 Scheme accordingly.

No share options have been granted under the 2013 Scheme since 28 May 2013.

Share award scheme

The Company operates a restricted share award scheme (the "2018 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, pursuant to which existing shares will be purchased by a trustee (the "Trustee") from the market out of cash contributed by the Group and be held on trust for the eligible participants until such shares are vested.

The 2018 Scheme became effective on 5 January 2018 and remains in force for 10 years from that date.

The maximum number of shares which the Trustee may purchase with funds contributed by the Group shall not exceed 3% of the total issued share capital of the Group as at the date of adoption of the 2018 Scheme. In addition, the maximum number of restricted shares which may be granted to a eligible participant at any time or in aggregate may not exceed 0.5% of the issued capital of the Company as at the date of adoption of the 2018 Scheme.

Pursuant to the 2018 Scheme, eligible participants include the directors and employees of the Company and any of its subsidiaries. Where any grant of the restricted shares is proposed to be made to a director (including the independent non-executive director), such grant must first be approved by all the independent non-executive directors and in each case excluding any independent non-executive director who is the proposed participant.

No shares have been granted under the 2018 Scheme since 5 January 2018.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the former group holding companies acquired pursuant to the group reorganisation as stated in the Company's prospectus dated 22 September 2000, and the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations for foreign investment enterprises incorporated under the Law of Mainland China on Joint Venture Using Chinese and Foreign Investment and the articles of association of the Group's Mainland China joint ventures, profits of the Group's Mainland China joint ventures as determined in accordance with the accounting rules and regulations in Mainland China are available for distribution in the form of cash dividends to the joint venture partners after the joint ventures have: (1) satisfied all tax liabilities; (2) provided for losses in previous years; and (3) made any required appropriations to the statutory reserve funds, including the general reserve fund, the enterprise expansion fund and the staff welfare and bonus fund. According to the articles of association of the respective Mainland China joint ventures of the Group, the appropriation to the statutory reserve funds is at the discretion of the boards of directors of the respective joint ventures. The basis of appropriation of the general reserve fund and the enterprise expansion fund is 5% of the statutory annual net profit after tax of the respective Mainland China joint ventures. The appropriation to the staff welfare and bonus fund is based on nil to 10% of the statutory annual net profit after tax of the respective Mainland China joint ventures and has been reclassified as an expense on consolidation as it is a liability to the employees.

The general reserve fund can be used either to offset accumulated losses or be capitalised as equity. The enterprise expansion fund can be used to expand the joint venture's production and operation, and subject to the approval of the relevant government authorities, can be utilised for increasing the capital of the joint venture. The staff welfare and bonus fund is recorded and reported as a current liability of the joint venture and can be utilised for making special bonuses or collective welfare to the employees of the joint venture.

The capital reserve is non-distributable and arose from the capitalisation of the statutory reserve funds as paid-up capital upon approval for increasing the registered capital of the Mainland China joint ventures.

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interests held by non-controlling interests:		
CT Tianqing	**40.0%**	40.0%
NJCTT	**44.4%**	44.4%
Beijing Tide	**42.4%**	42.4%
LYG Runzhong	**40.0%**	40.0%

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

	2021 RMB'000	2020 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
CT Tianqing	**1,684,622**	1,413,630
NJCTT	**200,262**	208,451
Beijing Tide	**254,307**	(136,307)
LYG Runzhong	**860,312**	964,185
Accumulated balances of non-controlling interests at the reporting date:		
CT Tianqing	**4,566,653**	2,996,078
NJCTT	**458,327**	827,652
Beijing Tide	**1,466,868**	1,409,694
LYG Runzhong	**1,631,497**	1,670,594

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2021	**CT Tianqing RMB'000**	**NJCTT RMB'000**	**Beijing Tide RMB'000**	**LYG Runzhong RMB'000**
Revenue	**14,464,987**	**2,859,017**	**3,084,784**	**3,474,318**
Total expenses	**(10,253,431)**	**(2,407,976)**	**(2,485,003)**	**(1,323,539)**
Profit for the year	**4,211,556**	**451,041**	**599,781**	**2,150,779**
Total comprehensive income for the year	**4,211,556**	**451,041**	**599,781**	**2,150,779**
Current assets	**8,593,157**	**1,702,364**	**2,878,161**	**3,559,413**
Non-current assets	**6,899,146**	**1,000,076**	**1,467,974**	**1,234,505**
Current liabilities	**(3,719,852)**	**(1,522,284)**	**(725,937)**	**(625,205)**
Non-current liabilities	**(355,819)**	**(147,889)**	**(160,604)**	**(89,971)**
Net cash flows from operating activities	**1,854,893**	**127,690**	**940,290**	**2,476,335**
Net cash flows from/(used in) investing activities	**401,668**	**375,866**	**30,162**	**(246,975)**
Net cash flows used in financing activities	**(683)**	**(627,200)**	**(290,736)**	**(2,221,508)**
Net increase/(decrease) in cash and cash equivalents	**2,255,878**	**(123,644)**	**679,716**	**7,852**

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2020	CT Tianqing RMB'000	NJCTT RMB'000	Beijing Tide RMB'000	LYG Runzhong RMB'000
Revenue	13,506,804	2,268,085	2,199,014	3,574,415
Total expenses	(9,972,729)	(1,844,188)	(2,520,492)	(1,163,952)
Profit/(loss) for the year	3,534,075	423,897	(321,478)	2,410,463
Total comprehensive income for the year	3,534,075	423,897	(321,478)	2,410,463
Current assets	7,771,684	1,793,222	2,208,376	3,721,098
Non-current assets	3,986,510	914,719	1,860,492	1,131,873
Current liabilities	(3,992,225)	(843,534)	(547,490)	(609,615)
Non-current liabilities	(275,775)	(325)	(196,628)	(66,872)
Net cash flows from operating activities	1,543,894	119,743	551,390	2,269,072
Net cash flows from/(used in) investing activities	1,904,523	61,731	(152,104)	(188,532)
Net cash flows used in financing activities	(3,238,207)	(383)	(411,363)	(2,078,060)
Net increase/(decrease) in cash and cash equivalents	210,210	181,091	(12,077)	2,480

36. BUSINESS COMBINATION

(a) Acquisition of 100% interests in Softhale NV

In March 2021, the Group acquired a 100% interest in Softhale NV from third party shareholders. Softhale NV is engaged in the research and development of inhalable therapeutics. The acquisition was made as part of the Group's strategy to expand its future market share of respiratory disease in overseas. Total consideration amounted to RMB964,201,000 which included the fixed consideration of RMB732,690,000 and the contingent consideration with fair value of RMB231,511,000 as at acquisition date.

36. BUSINESS COMBINATION (continued)

(a) Acquisition of 100% interests in Softhale NV (continued)

The fair values of the identifiable assets and liabilities of Softhale NV as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Cash consideration paid during 2021		732,690
Contingent consideration as at acquisition date		231,511
Total consideration		964,201
Property, plant and equipment	12	400
Intangible assets	17	477,950
Deferred tax assets	31	35,292
Long term prepayment		78
Other receivables and prepayments		375
Cash and bank balances		28,522
Trade payables		(3,193)
Taxes payable other than profits tax		487
Other payables and accruals		(7,494)
Deferred tax liabilities	31	(119,480)
Total identifiable net assets at fair value		412,937
Goodwill on acquisition	16	551,264

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid during the year	732,690
Cash and bank balances acquired	28,522

Since the acquisition, Softhale NV contributed nil to the Group's revenue and a loss of RMB347,465,000 to the consolidated profit 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 RMB26,861,356,000 and RMB16,619,934,000, respectively.

36. BUSINESS COMBINATION (continued)

(b) Acquisition of 51% interests in Jingmai

In March 2021, the Group acquired a 51% interest in Jingmai from third party shareholders at a consideration of RMB136,130,000. Jingmai is engaged in the research and development of medical devices for precision surgery. The acquisition was made as part of the Group's strategy to expand its future market share of medical devices in China.

The fair values of the identifiable assets and liabilities of Jingmai as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Cash consideration paid during 2021		136,130
Non-controlling interests		34,391
		170,521
Cash and bank balances		41,544
Other receivables and prepayments		4,332
Tax prepayment		349
Inventories		215
Property, plant and equipment	12	668
Intangible assets	17	41,500
Long term prepayment		2,208
Interest-bearing bank borrowings		(3,000)
Other payables and accruals		(7,244)
Deferred tax liabilities	31	(10,386)
Total identifiable net assets at fair value		70,186
Goodwill on acquisition	16	100,335

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid during the year	136,130
Cash and bank balances acquired	41,544

Since the acquisition, Jingmai contributed RMB5,884,000 to the Group's revenue and a loss of RMB10,674,000 to the consolidated profit 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 RMB26,861,356,000 and RMB16,617,312,000, respectively.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB174,280,000 and RMB147,219,000, respectively, in respect of lease arrangements for plant and equipment (2020: RMB342,830,000 and RMB271,964,000).

(b) Changes in liabilities arising from financing activities

2021	Borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2021	8,474,940	293,560	5,880,512	3,482	14,652,494
Changes from financing cash flows	(1,296,269)	(80,708)	(260,631)	(938,489)	(2,576,097)
Fair value gain	–	–	(241,072)	–	(241,072)
New leases	–	147,219	–	–	147,219
Foreign exchange movement	(247,769)	4,632	(536,098)	–	(779,235)
Interest expense	–	19,719	109,275	–	128,994
Final 2020 dividend declared	–	–	–	311,669	311,669
Interim 2021 dividend	–	–	–	623,338	623,338
Acquisition of subsidiaries	3,000	–	–	–	3,000
At 31 December 2021	6,933,902	384,422	4,951,986	–	12,270,310

2020	Borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2020	8,551,551	64,349	–	71,622	8,687,522
Changes from financing cash flows	(222,284)	(49,303)	5,611,863	(1,187,015)	4,153,261
Fair value gain	–	–	(88,009)	–	(88,009)
New leases	–	271,964	–	–	271,964
Foreign exchange movement	145,673	–	249,546	–	395,219
Interest expense	–	6,550	101,511	–	108,061
Transaction cost allocated to embedded derivative	–	–	5,601	–	5,601
Final 2019 dividend declared	–	–	–	223,931	223,931
Interim 2020 dividend	–	–	–	894,944	894,944
At 31 December 2020	8,474,940	293,560	5,880,512	3,482	14,652,494

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

	2021 **RMB'000**	2020 RMB'000
Within financing activities	**(80,708)**	(49,303)
Within operating activities	**(129,307)**	(129,176)

38. COMMITMENTS

(a) 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:		
– Land, plant and machinery	**900,632**	1,000,785
– Capital investments	**10,335**	203,605
	910,967	1,204,390

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are RMB20,471,202.89 due within one year, and RMB18,599,370.98 due in the second to fifth years.

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions and outstanding balances with related parties during the year:

	2021 **RMB'000**	2020 RMB'000
Associates:		
Sales of products (note (i))	**177,022**	–
Selling and marketing service income (note (ii))	**78,512**	–
Research and development service (note (ii))	**62,427**	–
Purchases of products (note (ii))	**11,782**	–
Provision of consulting services to:		
– a company beneficially owned by connected persons (note (iii))	**–**	4,532

Notes:

(i) The sales to an associate was made according to the published prices and conditions offered to the major customers of the Group. The outstanding balance of amount due from the associate as at 31 December 2021 is RMB64,572,000 (31 December 2020: Nil).

(ii) During the year of 2021, the Group provided selling and marketing service, research and development services to an associate with reference to market prices. Also, the Group made purchases from the associate according to the prices mutually agreed between both parties. The purchase was net off by a receivable from the associate with amount of RMB87,772,000. The outstanding balance of amount due from the associate and the amount due to the associate as at 31 December 2021 were RMB242,433,000 (31 December 2020: Nil) and RMB101,532,000 (31 December 2020: Nil).

(iii) The service fees in the year of 2020 were based on consulting agreements entered into between CTP Investment and CTOCRD with reference to market prices.

39. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

In 2010, Validated Profits Limited ("Validated Profits"), which is wholly owned by Mr. Tse, Chia Tai Land Company Limited ("CT Land"), and some other investors entered into an agreement (the "Consortium Agreement") to form an investment consortium for the purpose of tendering a bid to the relevant governmental authorities in Beijing for the acquisition of a site located at Beijing Chaoyang District CBD and, subject to the bid being successful, to form a project company for the purpose of carrying out the development. On 6 December 2010, CTP Investment, a wholly-owned subsidiary, entered into (a) an investment agreement with Validated Profits whereby Validated Profits agreed to transfer to CTP Investment all of its investment rights and obligations under the Consortium Agreement in connection with 7.5% of the total investment to be contributed by the Investment Consortium with nil consideration, and (b) an investment agreement with CT Land whereby CTP Investment agreed to transfer to CT Land all of its investment rights and obligations under the Consortium Agreement in connection with 2.5% of the total investment to be contributed by the Investment Consortium with nil consideration. Details are set out in the Company's press announcement dated 6 December 2010. As at 31 December 2021, the Group's capital contribution was approximately RMB238,942,000 in relation to this investment with the fair value of this investment amounting to RMB238,942,000 (note 19) (2020: prepayment of approximately RMB238,942,000). During the year ended 31 December 2021, the project company CTOCRD was registered in the PRC with registered capital of RMB4,700,000,000. The Group, through CTP Investment, holds a 5% equity interest in CTOCRD.

(c) Loans due from associates

The Group has provided Karolinska Development AB, where the Group acts as the largest shareholder, with a bridge loan of SEK70,000,000 as at 31 December 31 2021 and 2020 with an annual interest rate of 8.0%. Repayment by Karolinska Development AB can be made through cash payment and/or through set-off in connection with a new issue of B shares.

In addition to the foresaid loans, the Group has provided loans to Jilin Chia Tai International Hospital and Jilin Chia Tai Bohua Hospital Co., Ltd., amounting to RMB60,000,000 with annual interest rates ranging from 4.35% to 9.6%, which has been fully impaired as at 31 December 2021. The Group has provided loans to TEDA Cold Chain Logistics, amounting to RMB10,119,000 with rollover penalty (2020: RMB8,688,424).

(d) Loans due to other related parties

As at 31 December 2021, the Group has a loan of RMB136,130,000 with repayment on demand from a related company wholly owned by Ms. Cheng, the shareholder and executive director of the Group.

39. RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel's remuneration

Remuneration of key management personnel of the Group, including amounts paid to the directors as disclosed in note 8 to the financial statements, is as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other short-term employee benefits	187,262	175,100
Pension scheme contributions	241	241
	187,503	175,341

40. 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:

Financial assets

2021

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	405,206	–	–	–	–	405,206
Financial assets at fair value through profit or loss	4,250,533	3,942,851	–	–	–	8,193,384
Equity investments designated at fair value through other comprehensive income	–	–	–	1,988,238	–	1,988,238
Trade receivables	–	–	–	–	3,249,119	3,249,119
Bills receivable	–	–	971,548	–	–	971,548
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	569,500	569,500
Amount due from related companies	–	–	–	–	404,767	404,767
Bank deposit	–	–	–	–	4,972,000	4,972,000
Cash and bank balances	–	–	–	–	10,568,812	10,568,812
	4,655,739	3,942,851	971,548	1,988,238	19,764,198	31,322,574

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets (continued)

2020

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	389,675	–	–	–	–	389,675
Financial assets at fair value through profit or loss	3,827,056	3,865,074	–	–	–	7,692,130
Equity investments designated at fair value through other comprehensive income	–	–	–	1,991,107	–	1,991,107
Trade receivables	–	–	–	–	2,223,995	2,223,995
Bills receivable	–	–	690,082	–	–	690,082
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	956,008	956,008
Amount due from related companies	–	–	–	–	125,536	125,536
Bank deposit	–	–	–	–	2,950,000	2,950,000
Cash and bank balances	–	–	–	–	11,259,084	11,259,084
	4,216,731	3,865,074	690,082	1,991,107	17,514,623	28,277,617

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities

2021

	Financial liabilities at fair value through profit or loss			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	–	1,693,152	1,693,152
Financial liabilities included in other payables and accruals	–	–	4,504,696	4,504,696
Interest-bearing bank borrowings	–	–	6,933,902	6,933,902
Convertible bonds – debt component	–	–	4,761,913	4,761,913
Convertible bonds – embedded derivative instruments	190,073	–	–	190,073
Amounts due to related companies	–	–	237,662	237,662
Contingent consideration	–	227,983	–	227,983
	190,073	227,983	18,131,325	18,549,381

2020

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	–	1,947,802	1,947,802
Financial liabilities included in other payables and accruals	–	–	5,512,457	5,512,457
Interest-bearing bank borrowings	–	–	8,474,940	8,474,940
Convertible bonds – debt component	–	–	5,441,324	5,441,324
Convertible bonds – embedded derivative instruments	439,188	–	–	439,188
	439,188	–	21,376,523	21,815,711

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through profit or loss	**405,206**	389,675	**405,206**	389,675
Financial assets at fair value through profit or loss	**4,250,533**	3,827,056	**4,250,533**	3,827,056
Non-current: Financial assets at fair value through profit or loss	**3,942,851**	3,865,074	**3,942,851**	3,865,074
Equity investments designated at fair value through other comprehensive income	**1,988,238**	1,991,107	**1,988,238**	1,991,107
Bill receivables	**971,548**	690,082	**971,548**	690,082
	11,558,376	10,762,994	**11,558,376**	10,762,994
Financial liabilities				
Interest-bearing bank borrowings	**6,933,902**	8,474,940	**6,936,114**	8,478,706
Contingent consideration	**227,983**	–	**227,983**	–
Convertible bonds-debt component	**4,799,189**	5,441,324	**5,150,328**	5,035,896
Convertible bonds-embedded derivative components	**152,797**	439,188	**152,797**	439,188
	12,113,871	14,355,452	**12,467,222**	13,953,790

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade and bills receivable, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and dividend due from an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the listed equity investments are based on quoted market prices.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2021

	Fair value 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
Equity investments designated at fair value through profit or loss	405,206	–	–	405,206
Financial assets at fair value through profit or loss	–	4,250,533	–	4,250,533
Non-current: Financial assets at fair value through profit or loss	–	–	3,942,851	3,942,851
Bill receivables	–	971,548	–	971,548
Equity investments at fair value through other comprehensive income	812,391	–	1,175,847	1,988,238

As at 31 December 2020

	Fair value 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
Equity investments designated at fair value through profit or loss	389,675	–	–	389,675
Non-current: Financial assets at fair value through profit or loss	–	–	3,865,074	3,865,074
Financial assets at fair value through profit or loss	–	3,827,056	–	3,827,056
Bill receivables	–	690,082	–	690,082
Equity investments at fair value through other comprehensive income	564,647	–	1,426,460	1,991,107

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value

As at 31 December 2021

	Fair value 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
Contingent consideration	–	–	227,983	227,983
Convertible bonds	–	–	152,797	152,797

As at 31 December 2020

	Fair value 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
Convertible bonds	–	–	439,188	439,188

(a) *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

(b) *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, the instrument is included in Level 2.

The fair value of the convertible bonds – debt component is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

During the year, there were no transfers of fair value measurements among Level 1, Level 2 and Level 3.

(c) *Financial instruments in Level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The fair values of unlisted equity investments designated at fair value through other comprehensive income and unlisted investment (non-current) at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of the derivative component of convertible bonds has been estimated using the binomial option pricing model.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

(c) Financial instruments in level 3 (continued)

The recurring fair value measurement for the Group's financial assets and financial liabilities at fair value through profit or loss was performed using significant unobservable inputs (Level 3) as at 31 December 2021. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation techniques	Significant unobservable inputs
Financial assets		
Financial assets at fair value through profit or loss	Discounted cash flow method	Expected return rate
Bills receivable held both to collect cash flows and to sell	Discounted cash flow method	Discount rate per annum
Unlisted equity investments, at fair value	Valuation multiples	Average P/B or P/E multiple of peers
Financial liabilities		
Contingent consideration	Discounted cash flow method	Profit forecasting
Convertible bonds-Embedded derivative components	Binominal option pricing model	Expected volatility Risk-free rate

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, 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 receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollars and United States dollars interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000	(Decrease)/ increase in equity RMB'000
2021			
HK$-denominated borrowings	**50**	**(3,890)**	**(3,890)**
US$-denominated borrowings	**50**	**(25,440)**	**(25,440)**
HK$-denominated borrowings	**(50)**	**3,890**	**3,890**
US$-denominated borrowings	**(50)**	**25,440**	**25,440**
2020			
HK$-denominated borrowings	50	(4,120)	(4,120)
US$-denominated borrowings	50	(35,357)	(35,357)
HK$-denominated borrowings	(50)	4,120	4,120
US$-denominated borrowings	(50)	35,357	35,357

Foreign currency risk

Foreign exchange risk arises from the change in foreign exchange rates that may have an adverse effect on the Group in the current reporting year and in the future years. Most of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. In Mainland China, foreign investment enterprises are authorised to convert Renminbi to foreign currencies in respect of the current account items (including payment of dividend and profit to a foreign joint venture partner).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's equity (due to changes in the fair value of monetary assets and liabilities):

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2021			
If Renminbi weakens against the Hong Kong dollar	**5**	**20,488**	**17,108**
If Renminbi strengthens against the Hong Kong dollar	**(5)**	**(20,488)**	**(17,108)**
If Renminbi weakens against the US dollar	**5**	**115,841**	**96,727**
If Renminbi strengthens against the US dollar	**(5)**	**(115,841)**	**(96,727)**
If Renminbi weakens against the EUR	**5**	**84,529**	**70,582**
If Renminbi strengthens against the EUR	**(5)**	**(84,529)**	**(70,582)**
2020			
If Renminbi weakens against the Hong Kong dollar	5	22,910	19,130
If Renminbi strengthens against the Hong Kong dollar	(5)	(22,910)	(19,130)
If Renminbi weakens against the US dollar	5	177,834	148,491
If Renminbi strengthens against the US dollar	(5)	(177,834)	(148,491)
If Renminbi weakens against the EUR	5	104,237	87,038
If Renminbi strengthens against the EUR	(5)	(104,237)	(87,038)

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 cash equivalents, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's liquidity remained strong as at the end of the reporting period. During the year, the Group's primary source of funds was cash derived from operating activities and investment income. The directors consider that the Group's exposure to liquidity risk is not significant.

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:

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	1,693,152	–	–	–	–	1,693,152
Other payables	4,504,696	–	–	–	–	4,504,696
Convertible bonds-debt component	–	–	–	5,150,328	–	5,150,328
Contingent consideration	–	–	–	126,920	101,063	227,983
Lease liabilities	–	18,365	44,557	114,516	164,140	341,578
Interest-bearing bank borrowings	5,932	617,578	5,954,466	250,011	233,664	7,061,651
	6,203,780	635,943	5,999,023	5,641,775	498,867	18,979,388

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	1,947,802	–	–	–	–	1,947,802
Other payables	2,957,419	–	–	–	–	2,957,419
Convertible bonds-debt component	–	–	–	5,673,301	–	5,673,301
Lease liabilities	–	12,427	30,417	153,424	163,793	360,061
Interest-bearing bank borrowings	99,476	41,114	1,580,921	6,796,304	251,055	8,768,870
	5,004,697	53,541	1,611,338	12,623,029	414,848	19,707,453

* The calculation of expected interest to be paid is based on borrowings as at 31 December 2021 and 2020 and the interest rates as at 31 December 2021 and 2020.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as equity investments designated at fair value through profit or loss (note 21) and equity investments at fair value through other comprehensive income (note 19) as at 31 December 2021. The Group's listed investments are listed on the Hong Kong Stock Exchange and New York Stock Exchange, and the investments were valued at quoted market prices at the end of the reporting period. The Group is also exposed to equity price risk arising from changes in the price of the Company's own shares to the extent that the Company's own equity investments underlie the fair values of the derivatives. As at the end of the reporting period, the Group was exposed to this risk through the conversion rights attached to the convertible bonds (note 29) issued by the Company.

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2021			
Investments listed in			
Hong Kong – Financial assets at fair value through profit or loss	**80,810**	**808/(808)**	**808/(808)**
US – Financial assets at fair value through profit or loss	**324,396**	**3,244/(3,244)**	**3,244/(3,244)**
Hong Kong-Equity investment at fair value throuth OCI	**564,647**	**5,646/(5,646)**	**5,646/(5,646)**
2020			
Investments listed in			
Hong Kong – Financial assets at fair value through profit or loss	360,150	3,602/(3,602)	3,602/(3,602)
US – Financial assets at fair value through profit or loss	29,525	295/(295)	295/(295)
Hong Kong-Equity investment at fair value throuth OCI	564,647	5,646/(5,646)	5,646/(5,646)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's abilities to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group funds its operations principally via its capital.

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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

43. 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	**13,905**	13,075
Investment properties	**277,700**	308,559
Right-of-use assets	**283,530**	220,805
Intangible assets	**63,874**	65,925
Investments in subsidiaries	**2,210,177**	3,086,244
Interests in associates	**44,404**	60,156
Equity investments designated at fair value through other comprehensive income	**1,060,335**	1,089,496
Long term prepayment	**127,270**	131,372
Total non-current assets	**4,081,195**	4,975,632
CURRENT ASSETS		
Due from subsidiaries	**9,541,208**	6,993,097
Prepayments, other receivables and other assets	**64,974**	218,424
Amounts due from related parties	**–**	105,453
Equity investments at fair value through profit or loss	**845,710**	389,675
Cash and bank balances	**4,916,832**	7,310,311
Total current assets	**15,368,724**	15,016,960
CURRENT LIABILITIES		
Other payables and accruals	**77,912**	53,201
Interest-bearing bank borrowings	**5,788,062**	1,268,874
Lease liabilities	**31,350**	4,165
Total current liabilities	**5,897,324**	1,326,240
NET CURRENT ASSETS	**9,471,400**	13,690,720
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,552,595**	18,666,352
NON-CURRENT LIABILITIES		
Convertible bonds	**4,951,986**	5,880,512
Lease liabilities	**281,666**	220,474
Interest-bearing bank borrowings	**71,467**	6,666,857
Total non-current liabilities	**5,305,119**	12,767,843
Net assets	**8,247,476**	5,898,509
EQUITY		
Share capital	**415,440**	415,895
Treasury shares	**(689,347)**	(469,944)
Reserves (note 34)	**8,521,383**	5,952,558
Total equity	**8,247,476**	5,898,509

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's equity is as follows:

	Issued capital RMB'000	Share premium account RMB'000	Treasury reserve RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	278,451	12,944,432	(412,837)	65,051	(12,148,025)	1,137,820	(56,437)	3,860,190	5,668,645
Profit for the year	–	–	–	–	–	–	–	1,750,534	1,750,534
Fair value changes of financial assets	–	–	–	–	–	–	328,206	–	328,206
Exchange differences related to foreign operations	–	–	–	–	–	(534,628)	–	–	(534,628)
Total comprehensive income for the year	–	–	–	–	–	(534,628)	328,206	1,750,534	1,544,112
Repurchase of shares for cancellation	–	–	(138,266)	–	–	–	–	–	(138,266)
Repurchase of shares under share award scheme	–	–	(57,107)	–	–	–	–	–	(57,107)
Cancellation of treasury shares	(393)	(137,873)	138,266	–	–	–	–	–	–
Final 2019 dividend declared	–	–	–	–	–	–	–	(223,931)	(223,931)
Interim 2020 dividend	–	–	–	–	–	–	–	(894,944)	(894,944)
Issue of bonus shares	137,837	(137,837)	–	–	–	–	–	–	–
At 31 December 2020	415,895	12,668,722	(469,944)	65,051	(12,148,025)	603,192	271,769	4,491,849	5,898,509

	Issued capital RMB'000	**Share premium account RMB'000**	**Treasury reserve RMB'000**	**Contributed surplus RMB'000**	**Capital reserve RMB'000**	**Exchange fluctuation reserve RMB'000**	**Fair value reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**
At 1 January 2021	**415,895**	**12,668,722**	**(469,944)**	**65,051**	**(12,148,025)**	**603,192**	**271,769**	**4,491,849**	**5,898,509**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,426,088**	**4,426,088**
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(161,539)**	**161,539**	**–**
Fair value changes of financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**338,150**	**–**	**338,150**
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,147,334)**	**–**	**–**	**(1,147,334)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(1,147,334)**	**176,611**	**4,587,627**	**3,616,904**
Repurchase of shares for cancellation	**–**	**–**	**(126,776)**	**–**	**–**	**–**	**–**	**–**	**(126,776)**
Repurchase of shares under share award scheme	**–**	**–**	**(206,154)**	**–**	**–**	**–**	**–**	**–**	**(206,154)**
Cancellation of treasury shares	**(455)**	**(113,072)**	**113,527**	**–**	**–**	**–**	**–**	**–**	**–**
Final 2020 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(311,669)**	**(311,669)**
Interim 2021 dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(623,338)**	**(623,338)**
At 31 December 2021	**415,440**	**12,555,650**	**(689,347)**	**65,051**	**(12,148,025)**	**(544,142)**	**448,380**	**8,144,469**	**8,247,476**

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.