SHENZHEN HEPALINK PHARMACEUTICAL GROUP CO., LTD.
(深圳市海普瑞藥業集團股份有限公司)

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

(Stock code: 9989)

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

The board (the "**Board**") of directors (the "**Directors**") of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2021 (the "**Year**" or "**Reporting Period**"), together with comparative figures for the year 2020.

The sales revenue of the CDMO business increased by 2.0% to RMB813.1 million (2020: RMB797.4 million), of which the revenue of Cytovance increased by 17.3% to RMB692.9 million (2020: RMB590.5 million);

6. Excluding the after-tax impact of external investment-related projects on the Group's income statement (including investment income, gains from changes in fair value, impairment of assets related to investment projects, etc.), and after-tax structural foreign exchange gains and losses, basic earnings attributable to equity holders of the parent in 2021 were approximately RMB580.9 million.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2021

	Notes	**2021** ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
REVENUE	*4*	**6,422,761**	5,315,685
Cost of sales		**(4,403,177)**	(3,298,849)
Gross profit		**2,019,584**	2,016,836
Other income and gains	*5*	**(13,682)**	365,378
Selling and distribution expenses		**(424,828)**	(408,901)
Administrative expenses		**(668,326)**	(598,078)
Impairment losses on financial assets		**(76,709)**	(15,194)
Impairment losses on associate		**(200,706)**	–
Other expenses		**(5,463)**	(2,385)
Finance costs	*6*	**(210,074)**	(260,824)
Share of profits and losses of associates		**(2,125)**	231,004
PROFIT BEFORE TAX	*7*	**417,671**	1,327,836
Income tax expense	*8*	**(42,166)**	(306,204)
PROFIT FOR THE YEAR		**375,505**	1,021,632
Attributable to:			
Owners of the parent		**382,569**	1,024,210
Non-controlling interests		**(7,064)**	(2,578)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– for profit for the year		**RMB0.26**	RMB0.76
Diluted			
– for profit for the year		**RMB0.26**	RMB0.76

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2021

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PROFIT FOR THE YEAR	**375,505**	1,021,632
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**(36,157)**	(181,924)
Share of other comprehensive loss of associates	**(424)**	(1,642)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(36,581)**	(183,566)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value of equity investments designated at fair value through other comprehensive income	**(16,137)**	6,835
Remeasurement income/(loss) on defined benefit pension schemes	**892**	(25,050)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(15,245)**	(18,215)
Other comprehensive loss for the year, net of tax	**(51,826)**	(201,781)
Total comprehensive income for the year, net of tax	**323,679**	819,851
Attributable to:		
Owners of the parent	**331,083**	823,914
Non-controlling interests	**(7,404)**	(4,063)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

		2021	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,526,672**	2,623,449
Right-of-use assets		**239,854**	186,191
Goodwill		**2,152,201**	2,202,566
Other intangible assets		**472,969**	512,370
Investments in associates		**1,292,629**	1,631,183
Equity investments designated at fair value through other comprehensive income		**474,885**	619,953
Financial assets at fair value through profit or loss		**994,500**	1,747,437
Deferred tax assets		**173,436**	83,936
Other non-current assets		**206,016**	290,086
Total non-current assets		**8,533,162**	9,897,171
CURRENT ASSETS			
Inventories		**4,670,575**	3,168,249
Trade and bills receivables	*10*	**1,603,128**	1,666,216
Contract assets		**14,993**	20,477
Prepayments, other receivables and other assets		**571,431**	697,600
Due from related parties		**45,301**	49,235
Financial assets at fair value through profit or loss		**980,909**	821,257
Derivative financial instruments		**248**	6,949
Pledged deposits		**11,581**	80
Time deposits		**1,440,000**	1,368,416
Cash and cash equivalents		**1,479,633**	1,330,245
Total current assets		**10,817,799**	9,128,724
CURRENT LIABILITIES			
Trade payables	*11*	**385,787**	239,218
Other payables and accruals		**707,848**	526,140
Contract liabilities		**377,814**	256,950
Interest-bearing bank and other borrowings		**2,573,801**	2,481,977
Tax payable		**42,316**	74,836
Due to related parties		**6,223**	8,113
Lease liabilities		**31,754**	25,600
Total current liabilities		**4,125,543**	3,612,834

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

		2021	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NET CURRENT ASSETS		**6,692,256**	5,515,890
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,225,418**	15,413,061
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,944,635**	3,085,857
Deferred income		**16,673**	18,744
Deferred tax liabilities		**342,865**	427,673
Long-term employee benefits		**138,020**	130,936
Other non-current liabilities		**9,068**	9,218
Lease liabilities		**104,001**	51,643
Total non-current liabilities		**3,555,262**	3,724,071
Net assets		**11,670,156**	11,688,990
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**1,467,296**	1,467,296
Reserves		**10,090,559**	10,102,096
Total equity attributable to owners of the parent		**11,557,855**	11,569,392
Non-controlling interests		**112,301**	119,598
Total equity		**11,670,156**	11,688,990

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Hepalink is a global pharmaceutical company with business spanning the manufacture and sales of pharmaceutical products, development of Contract Development and Manufacturing Organization ("**CDMO**") services and innovative drugs. Our sales of pharmaceutical products consist of (i) finished dose pharmaceutical products, which mainly include enoxaparin sodium injection; (ii) active pharmaceutical ingredient ("**API**") products, including heparin sodium API and enoxaparin sodium API; and (iii) other products, mainly including pancreatin API. We operate a CDMO business providing research and development ("**R&D**"), manufacturing, quality management and program management services, through our wholly-owned subsidiaries Cytovance Biologics, Inc. ("**Cytovance**"), which specializes in the development and manufacture of recombinant pharmaceutical products and critical non-viral vectors and intermediates for gene therapy, and SPL Acquisition Corp. ("**SPL**"), which provides services in the development and manufacture of naturally derived pharmaceutical products. The Group has obtained exclusive development and commercial interest in Greater China for certain clinical stage innovative drug candidates which are being developed for the treatment of diseases with an immune system. We are also developing a self-discovered proprietary drug candidate currently at preclinical stage.

Industry Review

In 2021, the recovery of major economies continued to gain momentum as vaccination rates increased and travel restrictions were gradually loosened, particularly in China, the United States and Europe. However, uncertainties remain, with economic growth clouded by lagging vaccination rates in some countries and the quick spread of variant viruses such as Delta and Omicron in India and South Africa, causing recurrent outbreaks worldwide.

China's pandemic prevention and control are gaining positive progress, economic activities returned to normal while domestic demand and external trade rebounded

The year 2021 was a challenging year for the Group. In particular, financial performance was affected by a combination of challenges related to high unit cost of raw material and rising operating costs for most of the year. Nevertheless, the Group's finished dose pharmaceutical products business, enoxaparin active pharmaceutical ingredient ("**API**") and Cytovance segment all achieved outstanding results with booming revenue growth. This reflects the advantages of the management's shift to finished dose pharmaceutical products as its core business in recent years, and demonstrates the Group's resilience to adversity.

During the Reporting Period, the sales revenue of the Group increased by 20.8% to approximately RMB6,422.8 million (2020: approximately RMB5,315.7 million). Earnings attributable to equity holders of the parent amounted to approximately RMB382.6 million, representing a decrease of approximately 62.6% as compared to the same period of last year.

The year-on-year decreases in earnings attributable to equity holders of the parent and earnings per share were partly due to the investment income accounted for under the equity method by the Company's associates in 2020, the investment income from the sale of financial assets and dividends, and the increase in the fair value of the Company's equity interest in Kymab. The sum of investment income and fair value changes had an impact of RMB585.7 million on 2020 net profit; this figure had a significant impact on the year-on-year change in net profit in 2021. However, the Group believes that some of the equity investment impairments are temporary adjustments due to certain market reasons and the impact of the epidemic. The Group still supports and is optimistic about the development of innovative drug business of its equity investments (including RVX).

Excluding the after-tax impact of external investment-related projects on the Group's income statement (including investment income, gains from changes in fair value, impairment of assets related to investment projects, etc.), and after-tax structural foreign exchange gains and losses, basic earnings attributable to equity holders of the parent in 2021 were approximately RMB580.9 million, representing a decrease of approximately 5.7% as compared to the same period of last year. As at the end of the period, cash and bank balances amounted to approximately RMB1,479.6 million, representing an increase of approximately 11.2% as compared to the same period of last year.

Business Review

During the Reporting Period, the Group recorded a revenue of approximately RMB6,422.8 million, representing an increase of approximately 20.8% as compared to 2020. During the Reporting Period, the Group recorded a profit attributable to equity holders of the parent of approximately RMB382.6 million (2020: approximately RMB1,024.2 million), representing a year-on-year decrease of 62.6%.

During the Reporting Period, operating income for each business segment is as follows:

Business Segment	For the year ended December 31, 2021 (Unaudited) Operating income *RMB'000*	2020 (Audited) Operating income *RMB'000*	Year-on-year increase/ decrease *(%)*
Sales of products	**5,567,901**	4,456,472	**24.9%**
Finished dose pharmaceutical products	**2,675,188**	1,510,731	**77.1%**
API	**2,747,671**	2,700,886	**1.7%**
Others[(1)]	**145,042**	244,855	**(40.8%)**
CDMO service	**813,104**	797,387	**2.0%**
Others[(2)]	**41,756**	61,826	**(32.5%)**
Total	**6,422,761**	5,315,685	**20.8%**

Notes:

(1) Other products mainly include pancreatin API.

(2) Other business mainly includes manufacture and marketing services, processing services, technical support services and other services.

Sales

The Group mainly operates four main business focus, including (i) the Finished Dose Pharmaceutical Business; (ii) the API business; (iii) CDMO business; and the innovative drugs.

Finished Dose Pharmaceutical Business

During the Reporting Period, the finished dose pharmaceutical products business of the Group maintained a rapid growth trend with sales revenue increased by 77.1% or approximately RMB1,164.5million to approximately RMB2,675.2 million as compared with the same period of last year, accounting for 41.7% of the Group's total revenue.

Since the starting of its overseas operations in 2016, the Group's international business of finished dose pharmaceutical products is now all across the world with remarkable results, selling in over 40 regions and markets within five years, and ranking top in terms of market share in the United Kingdom, Poland, Italy and other markets. During the Reporting Period, the total sales volume of the Group's finished dose pharmaceutical products business exceeded 180 million units, representing a year-on-year increase of 74.7%.

In 2021, the Group once again achieved impressive results in the European market. During the Reporting Period, sales volume increased by 49.3% year-on-year with the revenue increased 59.3% year-on-year.

The Group sustained a strong sales growth momentum in the European market, and proactive sales strategy was adopted to successfully expand and strengthen sales networks. During the Reporting Period, on the one hand, we further consolidated our strengths in key European markets and local hospital channels and closely followed up on the hospital bidding process to enhance sales growth in key markets as demand for hospital and end-use drugs recovered following the normalization of pandemic control. The number of bidding contracts and new sales regions had been increasing during the Reporting Period, while sales through hospital channels were on the rise. On the other hand, we were building up our retail channel, with sales in the drugstore channel increasing significantly. With a strong focus on the European market, the Group has actively established a local marketing team to internalize local market feedback and mindset to push forward effective localized sales strategies. Meanwhile, with five years of sales efforts, the European sales team has successfully secured several hospital biddings in the United Kingdom, Poland, Italy, Austria and Spain for the supply of finished dose enoxaparin sodium pharmaceutical products in hospitals, thereby laying the foundation for future development.

In September 2020, Hepalink's registration as a supplier of drugs and APIs to the holder of the marketing authorization for enoxaparin sodium injection was approved by the United States Food and Drug Administration ("**FDA**"). During the Reporting Period, the Group was the supplier of enoxaparin sodium injection to the strategic partner of the United States marketing authorization holder for enoxaparin sodium injection, who was responsible for sales and distribution, and sales of the such products have commenced during the year. During the Reporting Period, the Group recorded sales of over 10 million units of enoxaparin sodium injection in the United States, paving the way for further penetration into the U.S. market. In 2021, the Group's subsidiary received FDA approval for its heparin sodium injection, authorizing the Group to sell the product in the U.S. market. Meanwhile, the Group's sales office in the United States will focus on and initiate the marketing of heparin sodium injection in 2022 to prepare for future sales in the United States.

During the Reporting Period, the Group had been boosting its market presence overseas and marketing efforts with satisfactory sales results. In particular, the Group's sales volume in the international non-European and American markets grew significantly by more than 200% year-on-year during the Reporting Period with the revenue increased 281.7% year-on-year. At the same time, the Group added eight new countries to its list of sales, namely Canada, Brazil, Saudi Arabia, Palestine, North Macedonia, Malaysia, Bosnia and Herzegovina and Bolivia, and received approval for sales in Serbia.

During the Reporting Period, the Group's enoxaparin sodium injection was registered in over 60 countries and was sold in over 40 countries and regions worldwide.

In the face of the normalization of the centralized procurement in the pharmaceutical industry in the PRC, the Group continued to reinforce the establishment and integration of its marketing system during the Reporting Period to support clinical medicine, market access and brand promotion, and to accelerate the admission into the national and provincial and municipal medical insurance drug catalogues. During the Reporting Period, the Group's enoxaparin sodium injection has been included in a number of centralized procurement drug catalogues and the sales in China market was up 16.2% year-on-year. In addition, the Group organized various medical conferences and participated in more than 400 academic conferences during the year to promote academic exchanges and at the same time, provide feedback on the efficacy of drugs and clinical use recommendations in hospitals to enhance the treatment level and brand influence of thromboembolic diseases in China, which helped to rapidly establish a new market landscape.

Finished dose enoxaparin sodium pharmaceutical product is one type of low molecular weight heparin ("**LMWH**") finished doses, which is widely used in clinical practice. Its main indications include prophylaxis of venous thromboembolic disease (prophylaxis of venous thrombosis), especially thrombosis related to orthopedics or general surgery; treatment of developed deep vein embolism with or without pulmonary embolism; used in hemodialysis and extracorporeal circulation to prevent thrombosis, etc.. Finished dose enoxaparin sodium pharmaceutical product of the Group is the first generic drug in the European Union and was approved by the European Medicines Agency (the "**EMA**") through the Centralized Procedure (CP) in 2016. According to the Clinical Guidelines issued by the World Health Organization and the National Institute for Health and Care Excellence of the United Kingdom, LMWH can also be used to prevent complications caused by COVID-19.

In connection with the efficacy of enoxaparin sodium in the treatment of COVID-19's symptoms, the Group has completed clinical studies in Italy. In February 2021, the last patient enrollment was completed. Clinical studies have shown that timely administration of the finished dose enoxaparin sodium pharmaceutical product can reduce the length of hospital stay by more than 20% and relieve symptoms in more than 65% of cases. The clinical data indicates that in terms of safety and clinical efficacy, the finished dose enoxaparin sodium pharmaceutical product is effective in limiting the pathogenic symptoms of COVID-19 when administered before patients reach critical stages.

API Business

During the Reporting Period, heparin API business was stable with a slight increase, and the sales revenue was approximately RMB2,747.7 million (the same period of last year: RMB2,700.9 million), accounting for 42.8% of the Group's total revenue, and the gross profit margin was 27.0%. During the Reporting Period, the Company further expanded the sales market of enoxaparin sodium API and strengthened the marketing strategy of the existing enoxaparin sodium API market. Becoming a new growth point of the Company's heparin industry chain business, enoxaparin sodium API business's revenue increased by 48.8% and the sales volume increased by 31.2% year-on-year.

The Group has always strictly regularized and focused on strengthening quality management, with strict guidelines on the selection of raw materials, supply chain, production process and production stability to ensure a high standard of product quality. During the Reporting Period, the Group actively gave play to the integration advantages, so that the API business will maintain a stable development. During the Reporting Period, the sales of enoxaparin API continued to rise, mainly driven by the growth in sales of enoxaparin API, which became an additional growth driver for the API business. The high consistency of the manufacturing process and product quality of enoxaparin API produced by the Group continue to consolidate and maintain its leading advantage and prominent position in the market.

Heparin is a type of anticoagulant drug with various functions such as anticoagulation and antithrombosis. The heparin industry consists of the initial upstream procurement of porcine small intestines, the upstream extraction of crude heparin, the midstream manufacture of heparin APIs and the downstream manufacture and supply of enoxaparin finished dose. Heparin Sodium API is mainly used for the manufacture of standard heparin finished doses and LMWH APIs, which in turn are used for the manufacture of LMWH finished doses. The Group has two major manufacture bases for Heparin Sodium API in China and the United States. Apart from being partly supplied to Shenzhen Techdow Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Group, the Heparin Sodium APIs are mainly sold to overseas customers, including a number of world renowned multinational pharmaceutical enterprises.

CDMO

During the Reporting Period, sales revenue of CDMO business was approximately RMB813.1 million (the same period of last year: RMB797.4 million). Gross profit level improved significantly, with gross margin up 5.7 percentage points to 32.0%.

During the Reporting Period, with its good performance, sales amount of Cytovance under the Group's CDMO business was approximately RMB692.9 million, growing by 17.3% year-on-year and gross profit margin of service revenue reached up to 45.5%; the scale of service revenue and gross profit of Cytovance increased by 25.3% and 85.2% compared to the same period of last year, respectively. Gross margin of service income was up 14.7 percentage points to 45.5%. During the Reporting Period, the Group's CDMO relied on its own core technologies and key technology platforms to support the supply chain of mRNA COVID-19 vaccines in a rapid, efficient and scalable manner to better meet the global demand for the large-scale production of commercialized mRNA vaccines worldwide. During the Reporting Period, the Group established a clearer KPIs and quarterly incentive system targeted on the two key indicators of the punctuality and success for CDMO projects, ensuring that the milestone revenue from CDMO service can show a better growth momentum as well as further improvement for the operation and management efficiency of Cytovance.

However, due to the delay of the SPL project which was the result of maintenance of some workshop parts in 2021, the CDMO business suffered certain impact during the Reporting Period. During the Reporting Period, on the basis of maintaining orders for our core products, we gradually expanded horizontally and vertically. We also stepped up our efforts to develop our customer base, and by leveraging on the international CDMO technical team and business development team, we actively followed up on the projects of potential customers to increase the number of CDMO projects in each stage.

As at the end of December 2021, the Group's orders for CDMO amounted to around US$100 million.

Innovative Drugs

AR-301 (Salvecin)

AR-301 is a fully human monoclonal IgG1 antibody (mAb) that specifically targets S. aureus alpha-toxin. It is being developed by the joint-stock subsidiary Aridis Pharmaceuticals, Inc. (a company listed on the NASDAQ, stock code: ARDS). It is currently in a global Phase III clinical trial as an adjunctive therapy to standard of care antibiotics in patients diagnosed with ventilator associated pneumonia (VAP) caused by S. aureus. Results of a Phase I/II clinical trial completed in the United States in the earlier stage have shown that patients treated with AR-301 in combination demonstrated less time spent under mechanical ventilation and higher rates of S. aureus eradication as compared to those treated with antibiotics alone. AR-301 was granted Fast Track Designation by the FDA and Orphan Drug Designation by the EMA.

The first patient enrollment has already been completed.

Oregovomab

Oregovomab, a murine monoclonal antibody, is an anti-CA125 immunotherapy drug candidate being developed by the joint-stock subsidiary OncoQuest Inc. ("**OncoQuest**"). It has completed a Phase II clinical trial as a standard treatment combined with chemotherapy in patients with advanced primary ovarian cancer. The results of the Phase II clinical trial have shown the safety and efficacy of Oregovomab in such combined standard treatment regime for advanced primary ovarian cancer patients were in line with efficacy expectations. The Phase II clinical results have shown a significant prolongation of median progression-free survival (PFS) of 41.8 months in such combined standard treatment regime, compared with 12.2 months in chemotherapy-only regime with an HR of 0.46 (95% Cl: 0.28, 0.77). It also showed a significant improvement in overall survival (OS) with an HR of 0.35 (95% Cl: 0.16, 0.76). Oregovomab has obtained Orphan Drug Designation from the United States Food and Drug Administration (the "**FDA**") and the European Medicines Agency (the "**EMA**").

The first patient in a Phase III clinical trial of the Group's Oregovomab was dosed in the United States in 2020. This global pivotal trial is expected to enroll 602 patients from

Outlook

In 2022, as the COVID-19 pandemic continued to spread around the world for two years, countries are still looking for ways out of the pandemic's predicament. While many countries and regions worldwide took important steps toward normalization in 2022, including the introduction of vaccination programs and the relaxation or even lifting of restrictions, the emergence and spread of Omicorn variant led to a quick resurgence of the pandemic and a divergent economic recovery. While the global pandemic is not over and the rapid spread of variants has slowed the pace of economic normalization in some regions, large-scale vaccination in all regions helps speed up the return of daily life and economic activities to normalcy. The global and Chinese economies are expected to continue to recover in 2022, and China's GDP growth is expected to be higher than the potential growth rate.

The year 2022 will be the starting point for the Group's business segment improvement and profitability enhancement, and we will present a very different picture from 2021. In the year ahead, we are confident that we can accomplish our goals of solid and sustainable revenue growth and, more importantly, improved financial performance and profitability, as well as constant growth in corporate value.

The Group will be building on its core strengths and industry-leading position in the heparin chain and maintain faster revenue growth.

In terms of finished dose pharmaceutical products business development, we will further expand our overseas markets and value chain with increasing scale of our global business. Continuing to expand our market share through solidifying and enhancing our leading position in the European market, we have been actively exploring existing markets and heightening sales in the hospital and the retail channel to increase unit selling price as well as profitability. In the U.S. market, we will cooperate with our local partners to maintain our strong growth momentum. Moreover, the Group has launched a business development plan and set up a new sales office in the first half of 2022 to expeditiously promote the sales of heparin sodium finished doses, and earnestly expand the sales and market coverage in North America. In the PRC market, as the first pharmaceutical company to pass the consistency evaluation of enoxaparin sodium injection, we will strongly support the national centralized drug procurement policy in an attempt to drive out bad money with good money, aiming to provide high quality drugs to patients in the PRC. In addition, our experienced Chinese marketing team will seize the opportunity of centralized procurement and achieve rapid market entry and sales upsurge with low promotion cost, which will become a new growth driver for the Group's pharmaceutical sales.

In terms of API business development, we will be amplifying the ability of resource coordination to allocate resources in terms of the operating conditions. With greater bargaining power, we will be able to efficiently meet customer needs and maintain stable business growth. At the same time, we will optimize our product structure and focus on promoting the sales of our high-tech, high-quality and high value-added products, enoxaparin API, to secure exceptional development and sustainable revenue growth of our API business.

In terms of CDMO business development, the Group will reinforce its technological leadership to drive the development of its two business wings of mammalian cell culture and microbial fermentation with high quality and efficiency. The constant changes in disease treatment and the continuous upgrade of innovative drug fields allow ample room for growth and good development opportunities for Cytovance. The Group will maintain its technological leadership in mammalian cell culture and microbial fermentation, enhance the two key indicators of the punctuality and success for CDMO projects and further accelerate the scale of development of the two business wings, consequently leading to the improvement of Cytovance's overall revenue scale and efficiency. In addition, the Group will actively plan for the development of CDMO projects and the expansion of Cytovance to provide new capacity and growth force for the future development of CDMO.

With regard to innovative drugs, the Group will continue to adhere to the principles of rational investment, effective allocation, forward-looking planning and sophisticated management of innovative drug research and development resources allocation, and promote the clinical development process of innovative drugs for substantive progress, consequently ensuring mutual benefit and win-win results for all parties.

Furthermore, aiming to achieve success, the Group has formulated corresponding strategies to improve its performance. In 2022, we will increase the technical investment and application of our global supply chain management system to connect the business, information, capital and logistics data in different operating regions of the Group, so as to realize the efficient operation of business, capital and logistics. For one thing, resource allocation optimization, business restructure and industrial upgrade and visual management of supply chain will give full play to synergy and integration to attain efficient operation, realizing cost reduction, efficiency and profitability enhancement. On the other hand, digital management will provide a stronger basis for each of the Group's business decisions and negotiations to ensure that business decisions are made in the best interest of the Group. At the same time, we are closely monitoring the significant easing trend of raw material prices from the third quarter of 2021 onwards, which is expected to reduce the pressure on production costs and will have a positive impact on earnings and gross margin in 2022. We will actively promote the normalization of cost reduction and efficiency improvement, and further optimize our production capacity to attain economies of scale. Simultaneously, we will further promote operational excellence and strengthen our basic management, especially in the areas of raw material procurement, marketing expenses, per capita output and logistics efficiency, for better management efficiency.

In 2022, the Group will be implementing and advancing its strategic plan with steady business development. By further enhancing operational efficiency, the Group persists in obtaining progressive growth in performance, and expanding steadily with sufficient resources in the volatile market environment both domestically and globally. The Group will continuously fortify its existing business and actively seize appropriate opportunities. We are confident in the Group's future prospects and growth opportunities, and are committed to creating long-term value for our shareholders.

Financial Review

Revenue

	For the year ended December 31,				
	2021	**2021**	2020	2020	**Year-on-year**
	(Unaudited)		(Audited)		**increase/**
	Sales amount	**% of Revenue**	Sales amount	% of Revenue	**decrease**
	RMB'000		*RMB'000*		***(%)***
Sale of goods	**5,567,901**	**86.7%**	4,456,472	83.8%	24.9%
Finished dose pharmaceutical products	**2,675,188**	**41.7%**	1,510,731	28.4%	77.1%
API	**2,747,671**	**42.8%**	2,700,886	50.8%	1.7%
Others[(1)]	**145,042**	**2.2%**	244,855	4.6%	(40.8%)
CDMO services	**813,104**	**12.7%**	797,387	15.0%	2.0%
Others[(2)]	**41,756**	**0.6%**	61,826	1.2%	(32.5%)
Total	**6,422,761**	**100%**	5,315,685	100.0%	20.8%

Revenue from manufacturing and sales of goods increased by RMB1,111.4 million to RMB5,567.9 million, accounting for 86.7% of the total revenue during the Reporting Period, as compared with RMB4,456.5 million or 83.8% of the Group's revenue in the corresponding period in 2020. The increase in revenue from manufacturing and sales of goods was mainly due to the year-on-year increase in sales revenue of finished dose pharmaceutical products during the period. The finished dose pharmaceutical products business benefited from the rapid growth of the Group's sales in Europe, the United States and other overseas markets in 2021, with a year-on-year increase in average sales price and a year-on-year increase of 77.1% in sales revenue of the finished dose pharmaceutical products business.

Cost of sales

For the Reporting Period, cost of sales increased by RMB1,104.4 million to RMB4,403.2 million, as compared with RMB3,298.8 million for the corresponding period in 2020. The increase in cost of sales was mainly due to the increase in cost of sales of finished dose pharmaceutical products and API during the Reporting Period.

Gross Profit

	For the year ended December 31,			
	2021	**2021**	2020	2020
	(Unaudited)		(Audited)	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***(%)***	*RMB'000*	*(%)*
Sale of goods	**1,717,940**	**30.9%**	1,755,073	39.4%
Finished dose pharmaceutical products	**981,971**	**36.7%**	724,150	47.9%
API	**742,049**	**27.0%**	1,078,164	39.9%
Others[(1)]	**(6,080)**	**(4.2%)**	(47,241)	(19.3%)
CDMO services	**259,803**	**32.0%**	209,832	26.3%
Others[(2)]	**41,840**	**100.2%**	51,931	84.0%
Total	**2,019,584**	**31.4%**	2,016,836	37.9%

Notes:

(1) Other products mainly include Pancreatin API.

(2) Other business mainly includes manufacture and marketing services, processing services, technical support services and other services.

For the Reporting Period, gross profit increased by RMB2.7 million to RMB2,019.6 million, as compared with RMB2,016.8 million in the corresponding period in 2020. For the Reporting Period, gross profit margin decreased by 6.5 percentage points to 31.4%, as compared with 37.9% for the corresponding period in 2020. The decrease in gross profit margin was mainly due to the increase in cost of sales as a result of higher raw material prices for API.

Finance Costs

The Group's finance costs mainly consist of interest on bank borrowings and corporate bonds and other finance costs. For the Reporting Period, finance costs decreased by RMB50.7 million to RMB210.1 million, as compared with RMB260.8 million for the corresponding period in 2020, representing a decrease of 19.4%. The decrease in finance costs was mainly due to a decrease in interest-bearing bank and other borrowings as compared with the corresponding period in 2020.

Taxation

For the Reporting Period, income tax expense was RMB42.2 million, as compared with an income tax expense of RMB306.2 million for the corresponding period in 2020, representing a decrease of approximately 86.2%.

Profit Attributable to Equity Holders of the Company

For the Reporting Period, profit attributable to equity holders of the Company was RMB382.6 million, as compared with RMB1,024.2 million for the corresponding period in 2020, representing a decrease of approximately 62.7%.

Earnings per Share

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, by the weighted average number of ordinary shares of the Company in issue for the Reporting Period. The diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company, by the weighted average number of ordinary shares of the Company in issue for the Reporting Period (with adjustments made for all potential dilution effect of the ordinary shares).

For the Reporting Period, both basic earnings per share and diluted earnings per share were RMB0.26, as compared with RMB0.76 for the corresponding period in 2020, representing a decrease of approximately 65.8%.

Liquidity and Financial Resources

Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and expected profitability and operating cash flows, expected capital expenditures and expected strategic investment opportunities. The Group closely monitors its debt-to-asset ratio, which is defined as total borrowings divided by total assets.

Liquidity and Financial Resources

The Group's liquidity remains strong. During the Reporting Period, the Group's funds were primary from its ordinary business. As at December 31, 2021, the Group's cash and bank balances were approximately RMB1,479.6 million (December 31, 2020: approximately RMB1,330.2 million).

Capital Structure

As at December 31, 2021, the Group recorded short-term loans of approximately RMB2,573.8 million (December 31, 2020: approximately RMB2,482.0 million) and long-term loans of approximately RMB2,944.6 million (December 31, 2020: approximately RMB3,085.9 million).

Pledge of Assets

As at December 31, 2021, the Group's assets of approximately RMB2,480.1 million were pledged to banks and other financial institutions to secure the credit facilities granted to the Group (December 31, 2020: approximately RMB2,563.4 million).

Contingent Liabilities

As at December 31, 2021, neither the Group nor the Company had material contingent liabilities (December 31, 2020: nil).

Asset-liability Ratio

As at December 31, 2021, the Group's total assets amounted to approximately RMB19,351.0 million, (December 31, 2020: approximately RMB19,025.9 million), whereas the total liabilities amounted to approximately RMB7,680.8 million (December 31, 2020: approximately RMB7,336.9 million). The asset-liability ratio (i.e., total liabilities divided by total assets) was approximately 39.7% (December 31, 2020: approximately 38.6%).

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates to the interest-bearing bank and other borrowings with floating interest rates. The Group's policy is to manage our interest cost using a mix of fixed and variable rate debts. As at December 31, 2021, the Group had approximately 93.7% interest-bearing borrowings bore interest at fixed rates (December 31, 2020: approximately 86.7%).

Indebtedness

	As at December 31, 2021 ***RMB'000*** **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Interest-bearing bank and other borrowings	**5,518,436**	5,567,834
Lease liabilities	**135,755**	77,243
Total financial indebtedness	**5,654,191**	5,645,077
Pledged bank deposits	**(11,581)**	(80)
Net financial indebtedness	**5,642,610**	5,644,997

The maturity profile of the Group's interest-bearing bank and other borrowings is set out as follows:

	As at December 31, 2021 ***RMB'000*** **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Repayable:		
Within one year or on demand	**3,268,166**	2,481,977
After one year but within two years	**1,604,635**	885,698
After two years but within five years	**143,412**	1,652,246
After five years	**502,223**	547,913
Total	**5,518,436**	5,567,834

The Group's bank lending as at December 31, 2021 was approximately RMB3,840.0 million (December 31, 2020: RMB3,675.5 million). As at December 31, 2021, the Group's corporate bond was approximately RMB1,610.7 million (December 31, 2020: RMB1,612.3 million). As at December 31, 2021, the Group's total amount of other lending was RMB67.7 million (December 31, 2020: RMB280.0 million).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

December 31, 2021

1. Corporate Information

The Company is a joint stock company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on April 21, 1998. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 002399.SZ) on May 6, 2010. The Company completed its public offering in Hong Kong and its H shares were listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (stock code: 9989) on July 8, 2020. The registered address of the office of the Company in the PRC is No.21 Langshan Road, Nanshan District, Shenzhen. The Company's principal place of business in Hong Kong is at Room 4724, 47/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong. The Company is ultimately controlled by Mr. Li Li and Ms. Li Tan who are acting in concert.

The Group is principally engaged in biopharmaceutical production, biopharmaceutical services, biopharmaceutical trading and biopharmaceutical research and development in Asia, Europe, North America and Australia, and investment business in Asia and North America.

2.1 Basis of Preparation

These financial information have been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**"), (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") 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, derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. These financial information are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The unaudited consolidated financial information include the financial information of 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).

The nature and the impact of the revised IFRS Standards are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial information 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 and other borrowings denominated in United States dollars based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2021. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

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

   The 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.

3. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) The finished dose pharmaceutical products segment mainly includes enoxaparin sodium injection products.

(b) The active pharmaceutical ingredient segment includes standard heparin sodium active pharmaceutical ingredients, and enoxaparin sodium active pharmaceutical ingredients.

(c) The CDMO segment includes R&D, manufacturing, quality management, program management and commercial manufacture under customers' specific orders.

(d) The "others" segment.

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/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that other income and gains, selling and distribution expenses, administrative expenses, impairment losses on financial assets, other expenses, finance costs and share of profits and losses of associates are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged deposits, deferred tax assets, equity investments designated at fair value through other comprehensive income, derivative financial instruments, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the year ended 31 December 2021

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**2,675,188**	**2,747,671**	**813,104**	**186,798**	**6,422,761**
Intersegment sales	**1,356,682**	**3,520,136**	**3,892**	**301,906**	**5,182,616**
	4,031,870	**6,267,807**	**816,996**	**488,704**	**11,605,377**
Reconciliation:					
Elimination of intersegment sales					**(5,182,616)**
Revenue from contracts with customers					**6,422,761**
Segment results:	**849,751**	**929,488**	**259,209**	**70,788**	**2,109,236**
Reconciliation:					
Elimination of intersegment results					**(89,652)**
Other income and gains					**(13,682)**
Selling and distribution expenses					**(424,828)**
Administrative expenses					**(668,326)**
Impairment losses on financial assets					**(76,709)**
Impairment losses on associate					**(200,706)**
Other expenses					**(5,463)**
Finance costs					**(210,074)**
Share of profits and losses of associates					**(2,125)**
Group's profit before tax					**417,671**

For the year ended December 31, 2021 (continued)

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	**3,624,171**	**11,096,799**	**2,080,120**	**1,272,449**	**18,073,539**
Reconciliation:					
Elimination of intersegment receivables					**(5,627,400)**
Corporate and other unallocated assets					**6,904,822**
Total assets					**19,350,961**
Segment liabilities	**2,408,652**	**2,753,548**	**421,601**	**2,741,219**	**8,325,020**
Reconciliation:					
Elimination of intersegment payables					**(6,334,993)**
Corporate and other unallocated liabilities					**5,690,778**
Total liabilities					**7,680,805**
Other segment information					
Impairment losses recognised in the in the statement of profit or loss, net	**(4,770)**	**(52,174)**	**(18,375)**	**(1,390)**	**(76,709)**
Depreciation and amortisation	**50,782**	**86,367**	**75,438**	**94,207**	**306,794**
Investments in associates					**472,969**
Capital expenditure	**2,580**	**80,118**	**67,025**	**26,298**	**176,021**

For the year ended 31 December 2020

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	1,510,731	2,700,886	797,387	306,681	5,315,685
Intersegment sales	1,782,320	1,861,116	32,500	249,999	3,925,935
	3,293,051	4,562,002	829,887	556,680	9,241,620
Reconciliation:					
Elimination of intersegment sales					(3,925,935)
Revenue from contracts with customers					5,315,685
Segment results:	636,689	1,161,446	218,719	36,947	2,053,801
Reconciliation:					
Elimination of intersegment results					(36,965)
Other income and gains					365,378
Selling and distribution expenses					(408,901)
Administrative expenses					(598,078)
Impairment losses on financial assets					(15,194)
Other expenses					(2,385)
Finance costs					(260,824)
Share of profits and losses of associates					231,004
Group's profit before tax					1,327,836

For the year ended December 31, 2020 (continued)

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	3,084,149	10,155,357	2,113,756	1,261,697	16,614,959
Reconciliation:					
Elimination of intersegment receivables					(5,257,920)
Corporate and other unallocated assets					7,668,856
Total assets					19,025,895
Segment liabilities	1,875,201	2,315,599	315,019	2,484,552	6,990,371
Reconciliation:					
Elimination of intersegment payables					(5,552,972)
Corporate and other unallocated liabilities					5,899,506
Total liabilities					7,336,905
Other segment information					
Impairment losses recognised in the statement of profit or loss, net	(2,854)	(10,515)	(1,277)	(548)	(15,194)
Depreciation and amortisation	48,323	74,873	51,107	97,853	272,156
Investments in associates					1,631,183
Capital expenditure	19,732	24,879	95,087	94,890	234,588

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
Hong Kong	**187,981**	51,404
United States of America	**993,169**	894,076
Europe	**3,469,218**	2,904,348
Mainland China	**552,243**	514,511
Other countries/regions	**1,220,150**	951,346
	6,422,761	5,315,685

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

(b) Non-current assets

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Mainland China	**2,908,216**	3,725,102
United States of America	**3,368,616**	3,546,915
Europe	**141,086**	171,057
Hong Kong	**472,423**	2,771

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

During the year ended 31 December 2021, revenue of approximately RMB651,052,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the year ended 31 December 2020, revenue of approximately RMB769,183,000 derived from a single external customer accounted for more than 10% of the total revenue.

4. Revenue

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of products	**2,675,188**	**2,747,671**	**–**	**145,042**	**5,567,901**
CDMO services	**–**	**–**	**813,104**	**–**	**813,104**
Others	**–**	**–**	**–**	**41,756**	**41,756**
Total revenue from contracts with customers	**2,675,188**	**2,747,671**	**813,104**	**186,798**	**6,422,761**
Timing of revenue recognition					
Products transferred at a point in time	**2,675,188**	**2,747,671**	**–**	**145,042**	**5,567,901**
Services transferred at a point in time	**–**	**–**	**111,924**	**9,326**	**121,250**
Services transferred over time	**–**	**–**	**701,180**	**32,430**	**733,610**
Total revenue from contracts with customers	**2,675,188**	**2,747,671**	**813,104**	**186,798**	**6,422,761**

For the year ended 31 December 2020

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of products	1,510,731	2,700,886	–	244,855	

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

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
Sale of products	**4,960**	3,642
CDMO services	**257,228**	197,544
	262,188	201,186

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied at the point when control of asset is transferred to the customer.

CDMO services

For services under the FFS model, revenue is recognised over time and the performance obligation is part of a contract that has an original expected duration of one year or less. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under the FFS model.

For certain CDMO services, the directors of the Company have determined that performance obligations are satisfied upon acceptance of the deliverable products under customers' specific orders, and therefore, the performance obligation is recognised as revenue at a point in time.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**1,194,897**	1,048,314

All the performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. Other Income and Gains

	2021	2020
	RMB'000	*RMB'000*
Other income		
Bank interest income	**54,857**	34,647
Government grants related to		
– Assets*	**2,072**	2,072
– Income**	**21,794**	44,679
Dividend income from financial assets at fair value through profit or loss	**28,575**	14,590
Dividend income from financial assets designated at fair value through other comprehensive income	**15,488**	16,561
	122,786	112,549
Other gains		
Foreign exchange (losses)/gains, net	**(205,044)**	(248,832)
Gains on disposal of financial assets at fair value through profit or loss	**5,761**	5,444
Fair value gains, net:		
Fair value gains on financial assets at fair value through profit or loss	**66,065**	506,936
Fair value losses on derivative instruments	**(4,181)**	(20,480)
(Losses)/gains on disposal of items of property, plant and equipment	**(5,105)**	(1)
Interest income from debt investment	**1,744**	5,972
Others	**4,292**	3,790
	(136,468)	252,829
	(13,682)	365,378

* The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognised in profit or loss over the useful lives of the relevant assets.

** The government grants and subsidies related to income have been received to compensate for the Group's research and development costs. Certain of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognised in the statement of profit or loss on a systematic basis over the periods that the costs, for which they are intended to compensate, are expensed.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

6. Finance Costs

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**121,352**	147,240
Corporate bonds	**76,406**	96,248
Lease liabilities	**3,873**	4,231
Other finance costs	**8,443**	13,105
	210,074	260,824

7. Profit before Tax

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

	2021	2020
	RMB'000	*RMB'000*
Cost of inventories sold	**3,849,960**	2,701,311
Cost of services provided	**553,217**	597,538
Depreciation of property, plant and equipment	**217,492**	220,033
Depreciation of right-of-use assets	**37,782**	35,212
Amortisation of other intangible assets	**51,520**	52,123
Research and development costs*	**221,099**	160,008
Auditor's remuneration	**7,050**	5,700
Expense related to public offering	**–**	32,101
Employee benefit expense (including directors' and supervisors' remuneration):		
Salaries and other benefits	**557,892**	582,211
Pension scheme contributions, social welfare and other welfare	**126,694**	117,290
Lease payment not included in the measurement of lease liabilities	**2,315**	1,454
Bank interest income	**(54,857)**	(34,647)
Finance costs	**210,074**	260,824
Interest income from debt investment	**1,744**	5,972
Dividend income from financial assets at fair value through profit or loss	**(28,575)**	(14,590)
Dividend income from financial assets at fair value through other comprehensive income	**(15,488)**	(16,561)
Foreign exchange losses, net	**205,044**	248,832
Gains on disposal of financial assets at fair value through profit or loss	**(5,761)**	(5,444)
Fair value losses on derivative instruments	**4,181**	20,480
Fair value gains on financial assets at fair value through profit or loss	**(66,065)**	(506,936)
Losses on disposal of items of property, plant and equipment	**5,105**	1
Impairment losses on financial assets	**76,709**	15,194
Write-down of inventories to net realisable value	**34,919**	55,879
Impairment losses on associates	**200,706**	–

* Research and development costs are included in "Administrative expenses" in the consolidated statement of profit or loss.

8. Income Tax Expense

The major components of the income tax expense for the year are as follows:

9. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic and diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of 1,467,296,204 ordinary shares (2020: 1,353,329,463) in issue during the year as adjusted to reflect rights issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic and diluted earnings per share are based on:

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**382,569**	1,024,210

	Year ended 31 December	
	2021	2020
Number of shares		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**1,467,296,204**	1,353,329,463

10. Trade and Bills Receivables

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**1,664,473**	1,661,300
Bills receivable	**10,010**	35,030
Allowance for expected credit losses	**(71,355)**	(30,114)
	1,603,128	1,666,216

The Group's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of allowance for expected credit losses, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**1,549,707**	1,630,918
1 year to 2 years	**88,504**	40,309
2 years to 3 years	**36,070**	18,391
Over 3 years	**202**	6,712
	1,674,483	1,696,330
Less: Allowance for expected credit losses	**(71,355)**	(30,114)
	1,603,128	1,666,216

The movements in the allowance for expected credit losses of trade receivables are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**30,114**	21,721
Impairment losses, net	**53,651**	10,589
Amount written off as uncollectible	**(11,940)**	(2,144)
Exchange realignment	**(470)**	(52)
At end of year	**71,355**	30,114

11. Trade Payables

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**385,787**	239,218

Use of Proceeds from the H Share Listing of the Company

The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on July 8, 2020 (the "**Listing Date**"), and the Company obtained its net proceeds of RMB3,538.3 million. According to the plan on use of proceeds as set out in the prospectus dated June 24, 2020 of the Company (the "**Prospectus**"), approximately 30% of the net proceeds (or approximately RMB1,061.5 million) is intended to be used for improving capital structure and repaying the existing debt; approximately 30% of the net proceeds (or approximately RMB1,061.5 million) is intended to be used for expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC; approximately 20% of the net proceeds (or approximately RMB707.7 million) is intended to be used for expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance; and approximately 20% of the net proceeds (or approximately RMB707.7 million) is intended to be used for investment in innovative drugs. As at December 31, 2020, the unutilised net proceeds of the Company amounted to RMB2,434.9 million.

As at December 31, 2021, RMB1,034.4 million had been used by the Company to

Significant Investments Held

During the Reporting Period, the Group did not hold significant investments with a value of 5% or more of the Company's total assets. As at the date of this announcement, the Group does not have any plan for material investments or purchase of capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

As at December 31, 2021, the Group had 1,528 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. Other employee benefits include the Mandatory Provident Fund, insurance and medical care, subsidized training, and employee share incentive schemes. During the Reporting Period, the total staff costs (including director's emoluments) were approximately RMB684.6 million (2020: approximately RMB699.5 million).

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Compliance with Corporate Governance Code

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). During the Reporting Period and up to the date of this announcement, the Company has complied with all the applicable code provisions in the Corporate Governance Code.

The Board currently comprises four executive directors and three independent non-executive directors, with the independent non-executive directors representing more than one-third of the number of the Board members. Having such a percentage of independent non-executive directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

Final Dividend

Upon completion of the audit process, the Company will publish the audited annual results for the year ended December 31, 2021 and announce the decision of the Board to recommend the payment of a final dividend, if any, for the year ended December 31, 2021.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has devised its own code of conduct for the trading of securities by its directors, supervisors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Group) on terms that no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry by the Company, all directors, supervisors and members of senior management of the Group have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period and up to the date of this announcement. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

Review of Unaudited Annual Results by the Audit Committee

The Audit Committee of the Board has considered and reviewed the unaudited consolidated annual results of the Group for the year ended December 31, 2021 and the accounting principles and practices adopted by the Group, and has discussed with management issues in relation to internal control, risk management and financial reporting. The Audit Committee of the Board is of the opinion that the unaudited consolidated annual results of the Group for the year ended December 31, 2021 are in compliance with the relevant accounting standards, laws and regulations and have been officially disclosed in due course.

Delay in Publication of Audited Annual Results and Further Announcements

Due to the further surge in the COVID-19 pandemic in Hong Kong and mainland China since early 2022 and the peaking of cases in early March 2022, pandemic preventive and control measures taken by the local government such as home office, travel restrictions, quarantine, as well as delay in conducting site inspections, the audit process for the annual results for the Year has not been completed as of the date of this announcement and the auditors of the Company (the "**Auditors**") is still in the process of performing audit work. As a result of the above, the Company has been unable to publish the audited annual results for the year ended 31 December 2021 which shall have been agreed with the Auditors by 31 March 2021 in accordance with Rules 13.49(1) and 13.49(2) of the Listing Rules. The unaudited annual results contained herein have not been agreed with the Auditors as required under the Listing Rules but have been reviewed by the Audit Committee and the Board.

Upon completion of the audit process, it is expected that the Company will issue further announcement(s) on or about April 11, 2022 in relation to (i) the audited results for the year ended December 31, 2021 as agreed by the Auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members of the Company will be closed for the purpose of determining the shareholders' eligibility to attend and vote at the annual general meeting and the arrangements for payment of the proposed dividend. In addition, the Company will issue further announcement(s) as and when appropriate shall there be any updates in the audit process.

Events after the Reporting Period

The Company has no events after the Reporting Period that need to be brought to the attention of the shareholders of the Company.

Publication of Unaudited Annual Results Announcement and Annual Report

This announcement is published on the websites of the Company (http://www.hepalink.com/) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The Company's Annual Report 2021 will be despatched to the H shares shareholders and published on the websites of the Company and the Hong Kong Stock Exchange in due course.

Appreciation

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

The financial information contained herein in respect of the consolidated annual results of the Group have not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Shenzhen Hepalink Pharmaceutical Group Co., Ltd.
Li Li
Chairman

Shenzhen, the PRC
March 30, 2022

As at the date of this announcement, the executive directors of the Company are Mr. Li Li, Ms. Li Tan, Mr. Shan Yu and Mr. Zhang Bin; and the independent non-executive directors of the Company are Dr. Lu Chuan, Mr. Chen Junfa and Mr. Wang Zhaohui.