*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# LANSEN PHARMACEUTICAL HOLDINGS LIMITED
# 朗生醫藥控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 503)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

### FINANCIAL HIGHLIGHTS

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2021** | 2020 | **Change** |
| **Results (US$'000):** | | | |
| Revenue | **54,180** | 54,386 | **-0.4%** |
| Gross profit | **34,409** | 35,179 | **-2.2%** |
| Profit from operations | **5,558** | 8,776 | **-36.7%** |
| Profit before income tax | **2,404** | 91,402 | **-97.4%** |
| Profit attributable to owners of the Company | **903** | 88,205 | **-99.0%** |
| **Profitability:** | | | |
| Gross profit margin | **63.5%** | 64.7% | **-1.2%** |
| Net profit margin | **1.7%** | 162.2% | **-160.5%** |
| Basic earnings per share (US cents) | **0.23** | 22.21 | **-21.98** |
| **Financial Position (US$'000):** | | | |
| Total assets | **172,312** | 252,778 | **-31.8%** |
| Equity attributable to owners of the Company | **116,601** | 197,282 | **-40.9%** |
| Total liabilities | **55,711** | 55,496 | **0.4%** |
| Cash and bank balances | **48,489** | 97,553 | **-50.3%** |
| **Liquidity:** | | | |
| Current ratio (times) | **2.1** | 3.7 | **-1.6** |
| Net debt-to-equity ratio* | **N/A** | N/A | – |

* Net debt-to-equity ratio = (Borrowings – cash and bank balances)/Total equity

## CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Lansen Pharmaceutical Holdings Limited (the "Company") and its subsidiaries ("Lansen" or the "Group"), I am pleased to present the results announcement of the Group for the financial year ended 31 December 2021 to all shareholders of the Company.

**Review of 2021**

For 2021, the Group recorded a total revenue of approximately US$54.2 million (equivalent to approximately RMB350 million), representing a decrease of 0.4% from last year and, after excluding the effect of the appreciation of RMB against USD, a decrease of 7% from last year. Such decrease was mainly due to the decrease in sales volume of the Group's core products, Pafulin and Sicorten Plus, as compared with last year. In response to the decline in sales volume, the Group has made targeted adjustments to its sales strategy and implemented the new strategy step by step. Profit from operations for 2021 was approximately US$5.6 million, representing a decrease of 36.7% from last year. Excluding the effect of the appreciation of RMB against USD, the decrease in profit was mainly attributable to the decrease in revenue as mentioned above which resulted in a corresponding decrease in gross profit. Net profit for 2021 was approximately US$0.9 million, representing a decrease of approximately 99.0% from last year, which was mainly due to the decrease in profit from operations and the loss of approximately US$1.1 million in relation to the shares of Zhejiang Starry Pharmaceutical Co., Ltd. ("Starry") held by the Group in the year as compared to the gain of approximately US$84.7 million in relation to the shares of Starry held by the Group in 2020.

With respect to the pharmaceutical business, the pharmaceutical industry introduced throughout the year a host of policies which showed the importance of penetrating into lower-tier markets and expanding reach to hospitals, especially for medicines for chronic diseases. Based on the characteristics of its product portfolio, the Group adjusted its sales strategy and started to further integrate its sales and marketing resources at the end of the year, including (i) extending the hospital and customer coverage of the team responsible for sales to big hospitals by consolidating the mature market team and the emerging market team, while continuing to promote the pilot sales project covering all of its products in Zhejiang Province; (ii) merging the commercial distribution team with the retail team to further strengthen its management of and collaboration with distributors, thereby driving the OTC sales and coverage; and (iii) setting up a semi-self-run team to expand both reach and sales to grass-roots healthcare terminals. By integrating its sales and marketing resources, the Group will accelerate the establishment of sales channels in lower-tier cities and increase its reach to graded hospitals and grass-roots healthcare terminals. In addition, the Group is gradually resuming the production of more than 20 traditional Chinese medicine products with independent production approvals.

With respect to the healthcare business, the Group continued to utilise its associate, Natural Dailyhealth Holdings Limited ("Natural Dailyhealth"), as a platform for developing its healthcare business. During the year, the plant extract business operation of Natural Dailyhealth faced challenges with its gross profit under continual pressure, mainly due to the delay in developing new customers and the lower-than-expected results of business expansion as a result of the impact of the COVID-19 pandemic and changes in international markets. Natural Dailyhealth ventured into the e-commerce and beverage fields in 2020. However, due to fierce competition in the fields and the failure to create market competitiveness for its products, Natural Dailyhealth failed to achieve expected results in these two new business areas and thus suspended production of relevant products during the year.

With respect to the cosmetic business, the skin care experience store pilot operations failed to generate meaningful sales during the year. After reviewing its development strategy for cosmetic business in recent years, the Group will reduce its investment in cosmetic business. In the future, the Group will sell its skin care products through agency outlets, and will prudently increase its investment in cosmetic business only when opportunities arise and the Group has a well-defined marketing strategy in place and right products to market.

In 2021, the Group completed the sale of all its holdings in Starry and disposed of a total of 3,252,493 shares of Starry, with aggregate gross proceeds of approximately RMB203.8 million (equivalent to approximately US$31.6 million).

**Outlook for 2022**

Looking forward to 2022, the Group will continue to pursue a diversification strategy, but will mainly focus on the development of its pharmaceutical business.

With respect to the pharmaceutical business, the Group will, through its self-run hospital team, promote multi-disciplinary exchanges and sharing among dermatology, stomatology and other departments based on the rheumatology department, and devote more effort in joint promotion of Pafulin and Sicorten Plus in the field of dermatology in 2022. Meanwhile, the Group will strengthen the in-depth integration of the medical department and the self-run hospital team, focus on and give full play to product advantages by enhancing academic promotion, and accelerate the progress of clinical verification of new indications for Pafulin. The newly established semi-self-run team will focus on the distribution and expansion of retail channels, and seek for customers with sound resources, comprehensive sales network and ability to expand the influence of Lansen's products. The newly established agent development division will strive to build up a big presence in certain provinces and regions as practically possible by reaching to more lower-tier hospitals and conducting targeted agent recruitment, and cooperate with the self-run hospital team to expand healthcare terminals coverage, so as to achieve growth in sales to both top-tier hospitals and grass-roots hospitals. The Group will explore more products with unique characteristics and value for promotion and sales based on the features of its existing products and the conditions of competing products, so as to develop a marketable product mix.

Amid rising prices of raw materials and energy sources, the Group will persist in prioritising cash flows, and improve efficiency in internal management, with a view to maintaining profit growth while achieving healthy sales growth.

With respect to research and development, the Group will continue with its R&D efforts centring around Pafulin, including research on the mechanism of action and new indications, and further accelerate the gradual resumption of production of over 20 traditional Chinese medicine products and gradually launch such products into the market. Meanwhile, the Group will pay attention to any opportunities in the Chinese market in relation to Reference Listed Drugs (RLD) with paragraph II certifications, focus on merger and acquisition opportunities arising from changes in shareholdings of other pharmaceutical companies, and introduce generic drugs or Chinese patent medicines already marketed in China so as to empower the development of the Group's pharmaceutical business.

With respect to the healthcare business, the Group will continue to utilise Natural Dailyhealth as a platform for developing its healthcare business in 2022. Natural Dailyhealth will level up its management and product quality and application in the process of shifting and upgrading from a traditional plant extract factory to a company with qualification for drug manufacturing. It will enhance management and control over cost structure and purchasing, continue to implement the strategy of developing high-quality products and key customers, and actively develop medicinal and edible plant extract products of its own, further raising the market recognition and brand awareness of Natural Dailyhealth's plant extract products.

With respect to the healthcare product business, the Group will develop and manufacture its proprietary plant extract-based health products with core advantages and secure proper registration and filings for such products with competent authorities in Mainland China, so as to build a superior product matrix for future market development and expansion of Natural Dailyhealth. The Group will develop, cultivate and create high-quality healthcare products, and establish a production base in Hong Kong to build a "Made in Hong Kong" brand. The Group will launch such healthcare products gradually to the market after successfully developing its product matrix and brand, thereby making our due contribution to people's health and disease control.

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

| | *Notes* | **2021** **US$'000** | 2020 US$'000 |
|---|---|---|---|
| **Revenue** | *4* | **54,180** | 54,386 |
| Cost of sales | | **(19,771)** | (19,207) |
| **Gross profit** | | **34,409** | 35,179 |
| Other income | *4* | **722** | 1,505 |
| Selling and distribution expenses | | **(17,366)** | (15,668) |
| Administrative expenses | | **(12,224)** | (11,453) |
| Loss allowance reversed/(recognised) on financial assets | | **17** | (787) |
| **Profit from operations** | | **5,558** | 8,776 |
| Other non-operating income and expenses, net | *6* | **(4,618)** | 80,513 |
| Fair value gain on other financial liabilities | | **47** | – |
| Finance income | *7* | **3,938** | 4,076 |
| Finance costs | *7* | **(1,532)** | (2,051) |
| Share of post-tax result of associates | | **(989)** | 88 |
| **Profit before income tax** | *8* | **2,404** | 91,402 |
| Income tax expense | *9* | **(1,501)** | (3,197) |
| **Profit for the year** | | **903** | 88,205 |

| | Note | 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| — Exchange differences arising on translation of foreign operations | | **788** | 5,765 |
| — Exchange differences reclassified to profit or loss upon deemed disposal of an associate | | **–** | 1,937 |
| — Exchange difference reclassified to profit or loss upon disposal of subsidiaries | | **143** | – |
| Other comprehensive income for the year, net of tax | | **931** | 7,702 |
| **Total comprehensive income for the year** | | **1,834** | 95,907 |
| **Profit attributable to owners of the Company** | | **903** | 88,205 |
| **Total comprehensive income attributable to owners of the Company** | | **1,834** | 95,907 |
| | | ***US cents*** | *US cents* |
| **Earnings per share** | | | |
| **— Basic and diluted** | *11* | **0.23** | 22.21 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

| | Notes | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **23,242** | 24,391 |
| Right-of-use assets | | **1,950** | 2,450 |
| Investment property | | **627** | 633 |
| Intangible assets | | **22,850** | 21,630 |
| Goodwill | | **6,824** | 6,824 |
| Interests in associates | | **2,196** | 6,862 |
| | | **57,689** | 62,790 |
| **Current assets** | | | |
| Inventories | | **7,391** | 6,722 |
| Trade and other receivables | *12* | **49,876** | 44,368 |
| Loan to an associate | *13* | **8,855** | 8,425 |
| Tax recoverable | | **12** | 105 |
| Financial assets at fair value through profit or loss ("FVTPL") | | – | 32,815 |
| Pledged bank deposits | | **15,944** | 14,144 |
| Cash and cash equivalents | | **32,545** | 83,409 |
| | | **114,623** | 189,988 |
| **Total assets** | | **172,312** | 252,778 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **3,773** | 3,972 |
| Share premium | | **11,299** | 16,750 |
| Foreign exchange reserve | | **4,838** | 3,907 |
| Statutory reserve | | **10,621** | 10,228 |
| Retained profits | | **86,070** | 162,425 |
| **Total equity** | | **116,601** | 197,282 |

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | *US$'000* | *US$'000* |
| **Non-current liabilities** | | | |
| Lease liabilities | | **204** | 782 |
| Deferred tax liabilities | | **2,032** | 3,227 |
| | | **2,236** | 4,009 |
| **Current liabilities** | | | |
| Borrowings | | **24,687** | 31,424 |
| Lease liabilities | | **336** | 394 |
| Current tax liabilities | | **539** | 870 |
| Trade and other payables | *14* | **26,589** | 17,272 |
| Contract liabilities | | **77** | 296 |
| Other financial liabilities | | **1,247** | 1,231 |
| | | **53,475** | 51,487 |
| **Total liabilities** | | **55,711** | 55,496 |
| **Total equity and liabilities** | | **172,312** | 252,778 |
| **Net current assets** | | **61,148** | 138,501 |
| **Total assets less current liabilities** | | **118,837** | 201,291 |

## NOTES

### 1. CORPORATE INFORMATION

Lansen Pharmaceutical Holdings Limited (the "Company") is an exempted limited liability company incorporated in the Cayman Islands on 10 September 2009 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 May 2010. The Company's registered office is located at Windward 3, Regatta Office Park, P. O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands. The Company's principal place of business is located at Suites 1203–4, 12/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred to as the "Group") are manufacturing and trading of pharmaceutical products. The principal activities of the Group are carried out in the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the year.

The Company is a subsidiary of Cathay International Holdings Limited ("CIH"), a company incorporated in Bermuda. The directors consider the immediate and ultimate holding company to be Cathay International Pharma Manufacture and Distribution (China) Limited and CIH respectively.

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as "IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis except for certain financial assets and liabilities that are measured at fair values at the end of each of the reporting period. The consolidated financial statements are presented in United States Dollars ("US$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

### 3. ADOPTION OF NEW OR REVISED IFRSs

#### 3.1 Adoption of new or revised IFRSs — effective on 1 January 2021

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by the IASB, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

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

The adoption of these amendments have no material impact on the Group's consolidated financial statements.

### 3.2 New or revised IFRSs that have been issued but are not yet effective

The following new or revised IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

| | |
|---|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[3] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[3] |
| Amendments to IAS 8 | Definition of Accounting Estimates[3] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3] |
| Amendments to IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use[2] |
| Amendments to IFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to IFRS 16 | COVID-19-Related Rent Concession beyond 30 June 2021[1] |
| Annual Improvements to IFRSs 2018–2020 | Amendments to IFRS 1 — First-time Adoption of IFRS; Amendments to IFRS 9 — Financial Instruments; Amendments to IFRS 16 and Amendments to IAS 41 — Agriculture[2] |
| Amendments to IAS 37 | Onerous Contracts — Cost of fulfilling a Contract[2] |

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

***Amendments to IAS 1***

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's consolidated financial statements.

Except for those mentioned above, these amendments are unlikely to have material impact on the Group's consolidated results and consolidated financial position upon application.

In prior year, net exchange gain derived from cash and cash equivalents of approximately US$3,518,000 and bank interest income of approximately US$558,000 were included under administrative expenses and other income respectively. From 2021 onwards, those net exchange gain and bank interest income are presented under finance income and finance costs, to more appropriately reflect the nature of these items. The comparative figures have been reclassified to conform to the current year's presentation.

## 4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue which are generated from contracts with customers and other income for the years are as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Revenue from sales of goods** | **54,180** | 54,386 |
| **Other income** | | |
| Gain on early termination of lease | **198** | 13 |
| Government grants *(Note)* | **104** | 370 |
| Others | **420** | 1,122 |
| | **722** | 1,505 |

*Note:*

The Group received grants from the local government in the PRC as recognition of the Group's development of high-technology pharmaceutical products. The grants received were not subject to any conditions.

In addition, during the year ended 31 December 2020, the Group received government grants of Hong Kong Dollars ("HK$") 162,000 (equivalent to US$21,000) from Employment Support Scheme ("ESS") under the Anti-pandemic Fund launched by the government of Hong Kong Special Administrative Region of the PRC supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The grant was allocated to the consolidated profit or loss to match the relevant costs incurred. The Group did not have other unfulfilled obligations relating to this programme.

## 5. SEGMENT INFORMATION

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

The Group's reportable and operating segments under IFRS 8 *Operating segments* ("IFRS 8") are as follows:

— Pharmaceuticals: development, production and sale of specialty pharmaceuticals mainly used in the field of rheumatology and dermatology and other pharmaceuticals

— Cosmetic products: sale of cosmetic products

— Healthcare products: development, production and sale of healthcare products

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

**For the year ended 31 December 2021**

| | **Pharmaceuticals** *US$'000* | **Cosmetic products** *US$'000* | **Healthcare products** *US$'000* | **Total** *US$'000* |
|---|---|---|---|---|
| Reportable segment revenue | **51,359** | **252** | **2,569** | **54,180** |
| Reportable segment profit/(loss) | **17,641** | **(812)** | **214** | **17,043** |

**For the year ended 31 December 2020**

| | Pharmaceuticals *US$'000* | Cosmetic products *US$'000* | Healthcare products *US$'000* | Total *US$'000* |
|---|---|---|---|---|
| Reportable segment revenue | 51,504 | 132 | 2,750 | 54,386 |
| Reportable segment profit/(loss) | 21,349 | (1,827) | (11) | 19,511 |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year and prior year.

The totals presented for the Group's operating segments reconciled to the Group's key financial figures as presented in the consolidated financial statements is as follows:

| | **2021** *US$'000* | 2020 *US$'000* |
|---|---|---|
| Total results of reportable segment profit | **17,043** | 19,511 |
| Share of post-tax result of associates | **(989)** | 88 |
| Other non-operating income and expenses, net | **(4,618)** | 80,513 |
| Unallocated income | **769** | 1,505 |
| Unallocated expenses | **(12,207)** | (12,240) |
| Finance income | **3,938** | 4,076 |
| Finance costs | **(1,532)** | (2,051) |
| Profit before income tax | **2,404** | 91,402 |

The accounting policies of the operating segments under IFRS 8 are the same as the Group's accounting policies. Reportable segment profit/(loss) represents the gross profit/(loss) less selling and distribution expenses by each segment. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

Share of post-tax result of associates, other non-operating income and expenses, finance income, finance costs and certain income and expenses are not allocated to the reportable segments as they are not included in the measure of the results of reportable segment that is used by CODM for assessment of segment performance.

No external customer contributed 10% or more of the Group's revenue for the year ended 31 December 2021. Revenue of approximately US$8,491,000 was derived from sales to an external customer under pharmaceuticals segment, which contributed 10% or more of the Group's revenue during the year ended 31 December 2020.

The Group has applied the practical expedient in IFRS 15 *Revenue from Contracts with Customers* not to disclose the remaining performance obligations under the contracts that have an original expected duration of one year or less.

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition:

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Primary geographical markets** | | |
| The PRC (domicile) | **52,037** | 52,116 |
| Overseas | **2,143** | 2,270 |
| | **54,180** | 54,386 |
| **Timing of revenue recognition** | | |
| At a point in time | **54,180** | 54,386 |

The geographical location of customers is based on the location to which the goods were delivered. The Company is an investment holding company incorporated in the Cayman Islands where the Group does not have any activities, the Group has the majority of its operations and workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by IFRS 8.

Almost all of the non-current assets of the Group were located in the PRC in both years.

No segment assets or segment liabilities is presented as they are not regularly reported to the CODM.

## 6. OTHER NON-OPERATING INCOME AND EXPENSES, NET

| | 2021 | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Realised (loss)/gain from financial assets at FVTPL *(Note)* | **(1,111)** | 29,252 |
| Transaction costs and other tax in connection with disposal of financial assets at FVTPL | **(7)** | (3,917) |
| Gain on deemed disposal of an associate | **–** | 45,618 |
| Unrealised gain from financial assets at FVTPL | **–** | 10,396 |
| Exchange difference arising on translation of financial assets at FVTPL | **–** | 3,423 |
| Provision for impairment of intangible assets | **(232)** | (2,946) |
| Provision for impairment of interests in associates | **(3,801)** | (386) |
| Loss allowance reversed/(recognised) on financial guarantee contract | **515** | (927) |
| Gain on disposal of subsidiaries | **18** | — |
| | **(4,618)** | 80,513 |

*Note:*

During the year ended 31 December 2020, the Group had disposed of a total of 6,149,867 shares in Zhejiang Starry Pharmaceutical Co., Ltd. ("Starry") via on-market sales on the Shanghai Stock Exchange, at the average price of Renminbi ("RMB") 75.98 per share and resulting in a realised gain of US$25,335,000 (net of transaction costs and other tax). After the partial disposal, the Group's equity interest in Starry was reduced to 1.3% as at 31 December 2020.

During the year ended 31 December 2021, the Group had disposed of all the remaining 3,252,493 shares in Starry via on-market sales on the Shanghai Stock Exchange, at the average price of RMB63.43 per share and resulting in a realised loss of US$1,118,000 (net of transaction costs and other tax). After the disposal, the Group does not hold any shares in Starry.

## 7. FINANCE INCOME AND FINANCE COSTS

| | 2021 | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Finance income** | | |
| Bank interest income | **1,470** | 558 |
| Net exchange gain | **2,468** | 3,518 |
| | **3,938** | 4,076 |
| **Finance costs** | | |
| Interest on bank borrowings | **1,321** | 1,853 |
| Interest on lease liabilities | **47** | 44 |
| Cross guarantee commission fee payable to a fellow subsidiary | **101** | 94 |
| Unwinding of discount on contingent consideration | **63** | 60 |
| | **1,532** | 2,051 |

## 8. PROFIT BEFORE INCOME TAX

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

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Auditors' remuneration | | |
| — Audit services | **277** | 275 |
| — Non-audit services | **44** | 92 |
| Cost of inventories recognised as expenses *(Note)* | **19,771** | 19,207 |
| Depreciation of right-of-use assets | **522** | 560 |
| Depreciation of investment property | **21** | 10 |
| Depreciation of property, plant and equipment | **2,347** | 2,500 |
| Provision for impairment of intangible assets | **232** | 2,946 |
| Provision for impairment of property, plant and equipment | **17** | 58 |
| Provision for impairment of right-of-use assets | **78** | 210 |
| Provision for impairment of obsolete inventories | **383** | 222 |
| Loss allowance (reversed)/recognised on financial guarantee contract | **(515)** | 927 |
| Loss allowance (reversed)/recognised on financial assets | **(17)** | 787 |
| Net exchange gain | **(2,468)** | (6,941) |
| Rental income from investment property | **(23)** | (20) |
| Research and development costs | **2,686** | 2,225 |
| Loss on disposals of property, plant and equipment | **7** | 131 |
| Gain on early termination of lease | **(198)** | (13) |
| Write off of inventories | **464** | 24 |
| Write off of financial assets | **18** | 34 |
| Employee costs (including directors' remuneration) | | |
| — Wages and salaries | **14,400** | 12,622 |
| — Contribution to defined contribution retirement plans | **2,693** | 1,336 |
| | **17,093** | 13,958 |

*Note:*

Cost of inventories recognised as expenses included amounts relating to employee costs, depreciation of right-of-use assets, depreciation of property, plant and equipment and write off of inventories, which are also included in the respective expenses disclosed separately above.

## 9. INCOME TAX EXPENSE

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Current income tax | | |
| — Current year | **2,749** | 1,674 |
| — (Over)/Under provision in prior years | **(24)** | 44 |
| | **2,725** | 1,718 |
| Deferred tax | **(1,224)** | 1,479 |
| Income tax expense | **1,501** | 3,197 |

Tax on assessable profits has been calculated at the applicable rates of tax prevailing in the tax jurisdiction in which the Group operates.

Under the two-tiered profits tax rates regime for Hong Kong profit tax, the first HK$2,000,000 of the estimated assessable profits of qualifying corporations will be taxed at 8.25%, and the estimated assessable profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime was applicable to the Group for the years ended 31 December 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2020: 25%).

On 1 December 2020, one subsidiary of the Group renewed the "High Technology Enterprise" status for 3 years that entitled them a preferential tax rate of 15% for a period of three years starting from 2020 to 2022 according to the PRC tax law.

## 10. DIVIDENDS

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Dividends recognised as distribution during the year:** | | |
| Special dividends — HK$1.55 per share (approximately US$0.20 per share) | **76,865** | — |

For the year ended 31 December 2021, the Company settled special dividends of HK$1.55 (equivalent to approximately US$0.20) per share, totally amounting to HK$598,551,000 (equivalent to approximately US$76,865,000) proposed on 31 August 2021.

For the years ended 31 December 2021 and 2020, the directors of the Company do not recommend the payment of final dividend.

## 11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company of US$903,000 (2020: US$88,205,000) and the weighted average number of ordinary shares of 389,748,000 (2020: 397,172,000), after adjusting the treasury shares held or cancelled by the Company, outstanding during the year.

The Group had no potential dilutive shares for both years.

## 12. TRADE AND OTHER RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade receivables | **15,954** | 19,702 |
| Less: loss allowance | **(683)** | (758) |
| | **15,271** | 18,944 |
| Bills receivables | **23,612** | 12,881 |
| Trade and bills receivables | **38,883** | 31,825 |
| Prepayments and other receivables | **10,993** | 12,543 |
| | **49,876** | 44,368 |

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

The Group has a policy of allowing an average credit period of 90 days to its customers.

The Group does not hold any collateral over these balances.

Based on the invoice date, the ageing analysis of the trade and bills receivables (net of loss allowance) of the Group as at the end of the reporting period is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 90 days or below | **19,551** | 16,109 |
| 91–180 days | **7,397** | 11,428 |
| 181–365 days | **11,935** | 4,206 |
| Over 365 days | **—** | 82 |
| | **38,883** | 31,825 |

As at 31 December 2021, certain bills receivables of US$19,249,000 (2020: US$11,141,000) were pledged to secure for bank borrowings of a fellow subsidiary.

## 13. LOAN TO AN ASSOCIATE

The amount due is unsecured, interest-free and repayable on demand. The directors consider that the carrying amount of this balance approximates its fair value.

As at 31 December 2021, loss allowance recognised on loan to an associate of US$964,000 (2020: US$693,000) were made against the carrying amount of loan to an associate.

## 14. TRADE AND OTHER PAYABLES

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade payables | **3,188** | 2,905 |
| Bills payables | **14,547** | 5,058 |
| Financial guarantee contract | **481** | 979 |
| Other payables and accruals | **8,373** | 8,330 |
| | **26,589** | 17,272 |

Based on invoice date, the ageing analysis of the trade payables of the Group as at the end of the reporting period is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 90 days or below | **2,848** | 2,158 |
| 91–180 days | **40** | 399 |
| 181–365 days | **3** | 4 |
| Over 365 days | **297** | 344 |
| | **3,188** | 2,905 |

The directors consider that the carrying amounts of trade and other payables approximate their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group recorded a total revenue of approximately US$54.2 million for 2021 (2020: US$54.4 million), representing a decrease of 0.4% from last year and, after excluding the effect of the appreciation of RMB against USD, a decrease of 7% from last year. Such decrease was mainly due to the decrease in sales volume of the Group's core products, Pafulin and Sicorten Plus, as compared with last year. In response to the decline in sales volume, the Group has adjusted its sales strategy and implemented the new strategy step by step. Profit from operations for 2021 was approximately US$5.6 million (2020: US$8.8 million), representing a decrease of 36.7% from last year. Excluding the effect of the appreciation of RMB against USD, the decrease in profit was mainly attributable to the decrease in revenue as mentioned above which resulted in a corresponding decrease in gross profit. Net profit for 2021 was approximately US$0.9 million, representing a decrease of approximately 99.0% from last year, which was mainly due to the decrease in profit from operations and the loss of approximately US$1.1 million in relation to the shares of Zhejiang Starry Pharmaceutical Co., Ltd. ("Starry") held by the Group recorded in the year as compared to the gain of approximately US$84.7 million in relation to the shares of Starry held by the Group in 2020. Starry is a company incorporated in the PRC and its shares are listed on the Shanghai Stock Exchange. The loss/gain arising from the shares held by the Group in Starry mainly comprised the following: (i) a loss of approximately US$1.1 million from the disposal of the Group's equity interest in Starry was recorded in the year, as compared to a gain of approximately US$25.3 million from such interests last year; (ii) a one-off net gain arising from reclassification of the equity interest in Starry to financial assets at fair value through profit or loss ("FVTPL") of approximately US$45.6 million was recorded last year. Starry was an associate of the Company before the reclassification. As disclosed in the 2020 annual report, as the Group's shareholding in Starry was less than 5%, the director appointed to Starry by the Group retired from the board of directors of Starry in 2020. The Group since then had no right to exercise significant influence over Starry under the applicable accounting standards, and therefore, Starry ceased to be an associate and the equity interest in Starry was reclassified as financial assets at FVTPL since 2020; and (iii) a gain on change in fair value of financial assets relating to Starry of approximately US$13.8 million was recorded last year, which was absent for the year.

For 2021, revenue of the pharmaceutical segment amounted to approximately US$51.4 million (2020: approximately US$51.5 million), representing a decrease of 0.3% from 2020 and, after excluding the effect of the appreciation of RMB against USD, a decrease of 6.7% from 2020; gross profit amounted to approximately US$33.7 million (2020: approximately US$35.0 million), representing a decrease of 3.5% from 2020; and segment profit amounted to approximately US$17.6 million (2020: approximately US$21.3 million), representing a decrease of 17.4% from 2020. The decrease in profit of the pharmaceutical segment was mainly due to the decreased sales volume of Pafulin and Sicorten Plus for the year as compared with last year.

For 2021, revenue of the cosmetic products segment amounted to approximately US$0.2 million (2020: approximately US$0.1 million), representing an increase of 90.9% from 2020; gross profit amounted to approximately US$0.1 million (2020: approximately US$0.05 million); and segment loss amounted to approximately US$0.8 million (2020: approximately US$1.8 million). The decrease in loss was mainly because the Group prudentially curtailed selling and marketing expenses based on its assessment of sales progress in the year.

The Group utilises Natural Dailyhealth Holdings Limited ("Natural Dailyhealth") as a platform for developing its healthcare business. For 2021, revenue from the healthcare business other than Natural Dailyhealth amounted to approximately US$2.6 million (2020: approximately US$2.8 million), representing a decrease of 6.6% from 2020; gross profit amounted to approximately US$0.5 million (2020: approximately US$0.1 million), representing an increase of 301.5% from 2020; and segment profit amounted to approximately US$0.2 million (2020: segment loss of approximately US$11,000). The operating results of the healthcare business are reflected in the Group's share of profit or loss of Natural Dailyhealth, an associate. During the year, Natural Dailyhealth saw a decrease in sales of some of its plant extract products with gross profit under pressure. The Group's share of loss from Natural Dailyhealth for 2021 was approximately US$0.9 million (2020: approximately US$0.2 million).

**Pharmaceutical segment**

In 2021, the Group closely monitored the impact of the ongoing reform of China's healthcare system on the development of the pharmaceutical sector. The "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-term Objectives Through the Year 2035" released by the Chinese government in the year set out the key development directions of China's pharmaceutical industry in the future. In the document, it is proposed to comprehensively promote the construction of a Healthy China, strengthen the construction of grass-roots healthcare workforce, accelerate the development of a tiered diagnosis and treatment system with active efforts in developing medical consortia, promote the reform of the State-organised centralised procurement and use of medicines, improve the dynamic mechanism for adjusting the catalogue of medicines covered by medical insurance, and promote diversified and hybrid health insurance payment methods focused on disease-based payments. All these policies highlight the importance of penetrating into lower-tier markets and expanding reach to hospitals, especially for drugs for chronic diseases. In view of the above, the Group has striven to expand its sales channels in lower-tier markets based on the characteristics of its product portfolio (mainly comprising drugs for chronic diseases).

In terms of marketing strategy, the Group has consolidated its sales and marketing resources through the following measures:

(i) Consolidating the mature market team and the emerging market team into a self-run hospital team to be responsible for self-run hospital expansion and promotion. Academically, the team will promote multi-disciplinary exchanges and sharing among dermatology, stomatology and other related departments in respect of therapeutic areas based on rheumatology, and devote more effort in joint promotion of Pafulin and Sicorten Plus in the field of dermatology. Also, the team will propose the therapeutic theory of preventive treatment and encourage early screening for rheumatic diseases so as to promote the use of Pafulin as a medicine for the early treatment of rheumatic immune diseases.

(ii) Merging the commercial distribution team with the retail team to further strengthen the management of distributors and drive OTC sales and coverage. The commercial division will focus on the distribution and expansion of retail channels, seek for quality customers with sound resources, comprehensive sales network and ability to expand the influence of Lansen's products, so as to stabilise the market prices of Pafulin and Sicorten Plus and ramp up sales. In addition, it will also strive to achieve breakthrough in sales of featured products and products that would resume production by virtue of cooperation with quality customers.

(iii) Setting up a semi-self-run team to expand both reach and sales to grass-roots healthcare terminals. The team will extend reach to more lower-tier hospitals and conduct targeted agent recruitment in key provinces or regions, cooperate with the self-run hospital team to expand hospital coverage, and enhance the market influence of Lansen's products in conjunction with the marketing department.

(iv) Strengthening the in-depth integration of the medical department and the self-run hospital division to strengthen academic promotion through treatment guidelines, treatment standards and expert consensus on clinical diseases in hospitals.

In terms of cost control, the Group further strengthened cost reduction and efficiency enhancement in 2021 by improving its bidding and procurement system, controlling of raw material procurement and production costs, emphasising energy saving and emission reduction, improving processes and equipment, rationalising personnel planning and saving management costs, strengthening coordination of production and marketing operations and implementing refined operation management. The Group will set up a number of cost reduction and efficiency improvement project teams, such as the procurement of traditional Chinese medicine (TCM) resources, photovoltaic power generation, power saving management, to work together to reduce the pressure on gross profit margin caused by rising raw material and energy prices.

In terms of research and development, the Group will continue with its R&D efforts centring around Pafulin, including research on its mechanism of action and new indications, and on quality standards. The policies promulgated by the Chinese government, such as the Notice on Several Policy Measures to Accelerate the Characteristic Development of Traditional Chinese Medicine, provide an opportunity for the Group to gradually resume production of over 20 TCM products with independent production approvals. In 2021, the Group performed a review on its own products by reference to newly issued regulations and market demand, and developed the strategy and plan for phased resumption of production and market launch. Thanks to its introduction of TCM research and development talent and investment in research and development, the Group has made good progress in respect of the resumption of production, successfully resuming production of sophora flavescens tablets, and launching the product into the market. The Group plans to resume the production of other products such as notoginseng capsules, cough syrup and Ganda Pian and launch the same into the market in 2022, providing the Group with more TCM products to support its expansion in the hospital and retail markets. Meanwhile, the Group will proactively identify and introduce pharmaceuticals with potential in the market or explore merger and acquisition opportunities arising from changes in shareholdings of other pharmaceutical companies in the hope of strengthening the Group's product portfolio.

**Cosmetic segment**

In the second half of 2020, the Group commenced pilot operation of skin care experience stores in Shanghai, Chengdu and Beijing. However, since these experience stores were unable to generate meaningful sales during the year, the Group sold the experience stores established in Shanghai and Chengdu and made a full provision for impairment of the assets relating to the experience store in Beijing at the end of the year. After reviewing its development strategy for cosmetic business in recent years, the Group plans to reduce its investment in the cosmetic business. In the future, the Group will sell its skin care products through agency outlets, and will prudently increase its investment in cosmetic business only when opportunities arise and the Group has a well-defined marketing strategy in place and right products to market. In addition, the Group made a provision for impairment of its investment in an associate, Tianjin Robustnique Biotechnology Co., Limited for the year, which had an impact of approximately US$1.8 million on net profit.

**Healthcare segment**

In 2021, the Group continued to use Natural Dailyhealth as a platform for developing its healthcare business. Due to the import and export of materials impacted by the COVID-19 pandemic and changes in international market of plant extracts, the plant extract business operation was delayed in developing new customers, especially overseas customers, and did not achieve expected results in business expansion, which caused its gross profit to be under continued pressure. Against this background, Natural Dailyhealth adjusted its strategies in the hope of increasing sales through customer development and improving gross profit margin through efficiency enhancement and better procurement control. Natural Dailyhealth set up a team to sort out, highlight and cultivate competitive products, and continued to implement the strategy of developing high-quality products and key customers, conducting research on production technology and equipment, boosting quality control during production process and capabilities in safety and environmental aspects, and enhancing ability to control raw material procurement.

In terms of finished healthcare products, Natural Dailyhealth in 2021 launched a series of tablet candy and gummy candy products under the brand name "Natural Dailyhealth" for trial sales on major e-commerce platforms, and also explored business expansion through pilot cities and chain channels for "Burst Soul" energy drinks. However, due to a weak marketing foundation, lack of product competitiveness and fierce competition in the relevant fields, Natural Dailyhealth was unable to build an effective business model and the overall revenue generated from such products was not enough to cover related expenditures. As such, Natural Dailyhealth has decided to discontinue the sales and marketing of finished products, shift to cultivating core strengths as its main milestones and establish a production base in Hong Kong to build a "Made in Hong Kong" brand. While several healthcare products that Natural Dailyhealth has applied for registration with the National Medical Products Administration (NMPA) are still awaiting approvals, some of them are subject to filing procedure only instead of registration with the NMPA as per the latest registration and filing regulations of China. Natural Dailyhealth will only gradually launch healthcare products into the market when it has a sufficient number of competitive products and gains some brand reputation.

**Financial Review**

***Revenue***

The Group recorded a revenue of approximately US$54.2 million (2020: approximately US$54.4 million) for the year ended 31 December 2021, representing a decrease of 0.4% over the last year.

For the year ended 31 December 2021, revenue from pharmaceuticals amounted to approximately US$51.4 million (2020: approximately US$51.5 million), representing a decrease of 0.3% over the last year. Revenue from cosmetic products amounted to approximately US$0.2 million (2020: approximately US$0.1 million), representing an increase of 90.9% over last year. Revenue from healthcare products amounted to approximately US$2.6 million (2020: approximately US$2.8 million), representing a decrease of 6.6% over the last year.

The Group's self-owned specialty pharmaceutical products (including Pafulin and Sicorten Plus), recorded a revenue of approximately US$46.8 million (2020: approximately US$47.1 million) representing a decrease of 0.5% over last year.

***Gross profit***

For the year ended 31 December 2021, the Group recorded a gross profit of approximately US$34.4 million (2020: approximately US$35.2 million), representing a decrease of 2.2% over the last year. For the year ended 31 December 2021, the overall gross profit margin was 63.5% (2020: 64.7%), representing a decrease of 1.2% over the last year.

The decrease in overall gross profit margin as compared to last year was mainly because the sales proportion of pharmaceutical products, which have higher gross profit margins, to the total revenue decreased.

*Other income*

Other income amounted to approximately US$0.7 million (2020: approximately US$1.5 million) for the year ended 31 December 2021, representing a decrease of 52.0% over last year, which was mainly because (i) the dividends received from financial assets at FVTPL decreased by approximately US$0.4 million; and (ii) the government grants received in 2021 decreased by approximately US$0.3 million compared to last year. Government grants received by the Group primarily came from the local government and were partly used as recognition of the Group's efforts in developing high-technology pharmaceutical products.

*Selling and distribution expenses*

For the year ended 31 December 2021, the selling and distribution expenses of the Group increased by 10.8% to approximately US$17.4 million from approximately US$15.7 million in the last year. The proportion of the selling and distribution expenses of the Group to the total revenue of the Group increased by 3.3% to 32.1% for the year ended 31 December 2021 from 28.8% in the last year. The increase was mainly because of the increase in sales and distribution activities in 2021.

Management believed that the marketing model and academic promotional advantages of pharmaceuticals products are the key factors in maintaining the Group's leading market position. The Group endeavoured to enhance market recognition of its pharmaceutical products and has actively launched educational activities. By organising academic conferences across China, doctors and users were able to have a better understanding of the pharmacology, efficacy and benefits of these products.

*Administrative expenses*

For the year ended 31 December 2021, administrative expenses amounted to approximately US$12.2 million (2020: approximately US$11.5 million), representing an increase of 6.7% over last year. The proportion of the administrative expenses of the Group to the total revenue of the Group increased by 1.5% to 22.6% for the year ended 31 December 2021 from 21.1% in the last year.

*Finance costs*

For the year ended 31 December 2021, finance costs of the Group decreased by approximately US$0.5 million. This was mainly due to the decrease of average balance of bank borrowings.

*Share of post-tax result of associates*

Share of post-tax result of associates for the year ended 31 December 2021 amounted to loss of approximately US$1.0 million (2020: profit of approximately US$0.1 million).

*Income tax expense*

Ningbo Liwah Pharmaceutical Company Limited ("Ningbo Liwah") has obtained the certification as a high-technology enterprise and enjoys a preferential income tax rate of 15%. According to the Enterprise Income Tax Law (the "EIT" law) of the PRC and the implementation rules of the EIT law, except for Ningbo Liwah, the enterprise income tax rate for the Group's other PRC subsidiaries was 25%.

***Profit attributable to owners of the Company***

Profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately US$0.9 million, representing a decrease by approximately US$87.3 million from approximately US$88.2 million in the last year.

***Liquidity, financial resources and capital structure***

The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including bank borrowings from time to time when the operating cash flow is insufficient to meet capital requirements.

As at 31 December 2021, net current assets and current ratio of the Group were approximately US$61.1 million (31 December 2020: US$138.5 million) and 2.1 (31 December 2020: 3.7) respectively.

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately US$32.5 million (31 December 2020: approximately US$83.4 million). As at 31 December 2021, the Group had pledged bank deposits of approximately US$15.9 million (31 December 2020: approximately US$14.1 million) to secure banking facilities of the Group and bank borrowings of a fellow subsidiary.

The Group's borrowings as at 31 December 2021 amounted to approximately US$24.7 million (31 December 2020: approximately US$31.4 million).

As at 31 December 2021 and 2020, the Group was in a net cash and bank balance position.

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by the subsidiaries of the Group are denominated in the respective functional currency of the subsidiaries. The Group currently does not have any foreign currency hedging policy. However, management would closely monitor foreign exchange exposure and consider hedging foreign currency exposure when necessary.

### *Charges on assets*

As at 31 December 2021, certain bank deposits and bills receivables in an aggregate carrying amount of approximately US$35.2 million (31 December 2020: approximately US$25.3 million) were pledged to secure banking facilities of the Group and bank borrowings of a fellow subsidiary.

### *Capital commitment*

As at 31 December 2021, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately US$0.2 million (31 December 2020: approximately US$1.1 million).

### *Financial guarantee issued*

The Group has issued a guarantee to a bank in respect of borrowings made by Jilin Haizi Bio-Engineering Technology Company Limited ("Jilin Haizi"), a fellow subsidiary of the Group. Under the guarantee, the Group is liable for a maximum of RMB130,000,000 (equivalent to approximately US$20,390,000) borrowings drawn by Jilin Haizi from the bank. The maximum liability of the Group at 31 December 2021 under the guarantee issued represents the amount drawn down by Jilin Haizi of RMB130,000,000 (equivalent to approximately US$20,390,000) (31 December 2020: RMB130,000,000 (equivalent to approximately US$19,924,000)). As at 31 December 2021, provision for financial guarantee contract of approximately US$0.5 million (31 December 2020: approximately US$0.9 million was recognised) was reversed.

Save as mentioned above, the Group did not have any material contingent liabilities as at 31 December 2021 and 2020.

### *Material acquisitions and disposals*

During the year ended 31 December 2021, the Group had disposed of all the remaining 3,252,493 shares in Starry via on-market sales on the Shanghai Stock Exchange, at the average price of RMB63.43 per share and resulting in a realised loss from financial assets at FVTPL (net of transaction costs and other tax) of approximately US$1.1 million. After the disposal, the Group does not hold any shares in Starry.

### *Human resources*

The Group had over 591 employees as at 31 December 2021 with employee costs of approximately US$17.1 million for the year ended 31 December 2021. Staff remuneration of the Group, including salary, allowances, medical insurance and provident fund, is determined with reference to individual performance, professional qualifications, experience in the industry and relevant market trends.

Salaries of employees of the Group have been maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic condition. The Group provides career advancement training in the form of internal courses and workshops for the staff and encourages them to participate in training programmes related to the Group's business.

## OTHER INFORMATION

### Final dividends

The Directors do not recommend the payment of final dividends for the year ended 31 December 2021.

### Purchase, sale or redemption of listed securities

The table below outlines details of the shares of the Company purchased by the Company on the Stock Exchange on a monthly basis during the year ended 31 December 2021. The total number of shares purchased during the year ended 31 December 2021 was 19,858,000 shares.

| | **Number of shares** | **Highest price paid per share** *HK$* | **Lowest price paid per share** *HK$* | **Average price paid per share** *HK$* | **Aggregate price paid** *HK$* |
|---|---|---|---|---|---|
| Month | | | | | |
| June 2021 | 2,774,000 | 2.50 | 2.22 | 2.39 | 6,643,530 |
| July 2021 | 8,236,000 | 2.80 | 2.50 | 2.77 | 22,786,400 |
| September 2021 | 2,346,000 | 1.51 | 1.27 | 1.41 | 3,311,150 |
| October 2021 | 6,502,000 | 1.78 | 1.54 | 1.72 | 11,156,060 |
| | 19,858,000 | | | | 43,897,140 |

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

### Compliance with the Code on Corporate Governance Practices

For the year ended 31 December 2021, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") set out in Appendix 14 of the Listing Rules, except with a deviation from Code Provision A.5 of the Code. Under Code Provision A.5 of the Code, the Company should establish a nomination committee with specific written terms of reference which deal clearly with its authority and duties. Currently, the Company had not established a nomination committee and had retained the functions with the remuneration committee of the Company (the "Remuneration Committee"). The Remuneration Committee has been delegated the functions of a nomination committee since its listing on the Main Board of the Stock Exchange in 2010. As such, the

Board is of the view that the members of the Remuneration Committee possess the necessary experience and knowledge to discharge the functions of a nomination committee. To fulfil the new requirement under the amended Rule 3.27A of the Listing Rules, the Board will establish a nomination committee chaired by the chairman of the board or an independent non-executive Director and comprising a majority of independent non-executive Director in due course.

**Compliance with the Model Code by Directors**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company.

**Review of audited financial statements**

The audit committee of the Company (the "Audit Committee") comprises of three independent non-executive Directors, namely Mr. Chan Kee Huen, Michael (Chairman), Mr. Yeung Tak Bun, Allen and Ms. Chan Ching Har, Eliza.

The Company's audited consolidated annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee together with the management of the Company.

**Scope of work of BDO Limited**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board, and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

**Publication of the annual results and annual report**

The electronic version of this announcement will be published on the website of the Stock Exchange (www.hkexnews.com.hk) and on the website of the Company (www.lansen.com.cn). The annual report of the Company for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and published on the aforementioned websites in due course.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Board, management and employees of the Group for their contributions and efforts in 2021 and also our clients, banks, suppliers, shareholders and partners for their continuous support.

By order of the Board
**Lansen Pharmaceutical Holdings Limited**
**Wu Zhen Tao**
*Chairman*

Hong Kong, 28 February 2022

*As at the date of this announcement, the executive managing Director is Mr. Chen Li; the non-executive Directors are Mr. Wu Zhen Tao, Mr. Stephen Burnau Hunt and Ms. Liu Xuezi; the independent non-executive Directors are Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen and Ms. Chan Ching Har, Eliza.*