Simcere Pharmaceutical Group Limited
先聲藥業集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 2096)

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

BUSINESS HIGHLIGHTS

The Group has achieved remarkable results in innovation-oriented transformation, and has become a pharmaceutical company focused on innovative pharmaceutical business. For the year ended December 31, 2021, revenue from innovative pharmaceuticals was approximately RMB3.120 billion, increased by approximately 53.8% compared to the same period last year. The revenue from innovative pharmaceuticals hit a record high, contributing 62.4% of the total revenue for the same period (32.9% and 45.1% for 2019 and 2020, respectively).

The Group's encouraging commercialization achievements are evidenced by the significant growth of sales revenue from self-developed innovative pharmaceutical, Sanbexin®, which fueled an increase by 119.3% in the revenue from the Nervous system business to RMB1.543 billion. A cooperative innovative pharmaceutical, ENWEIDA®, was approved for marketing in November 2021, bringing new opportunities for business growth.

The Group's clinical team has been consistently strengthened and is conducting 19 registration clinical studies for 16 potential innovative pharmaceuticals. Among them, a conditional application of Trilaciclib Hydrochloride for Injection has been submitted and included in the priority review as at the end of 2021. The progress of phase III pivotal clinical trial of Sanbexin sublingual tablets was beyond expectations, and all enrollment plans are expected to be completed in the first half of 2022.

The Group attaches great importance and devotes to innovative pharmaceutical R&D. Guided by clinical value, the Group adheres to differentiated strategy, and strengthens the layout of innovative targets and product portfolio in the strategically focused areas. For the year ended December 31, 2021, the Group has added 6 registered clinical trials for Phase III, 2 trails for Phase II, 3 trails for Phase I, obtained 12 Clinical Trial Approvals for drugs. The Group has completed the first patient in (FPI) for 11 trials.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2021, the Group recorded the following financial results:

- Revenue of approximately RMB5,000 million, representing an increase of approximately 10.9 % compared to the year ended December 31, 2020;
- Research and development costs of approximately RMB1,417 million, which accounted for approximately 28.3% of the revenue, representing an increase of approximately 24.1% compared to the year ended December 31, 2020;
- Profit for the year of approximately RMB1,499 million, representing an increase of approximately 125.6% compared to the year ended December 31, 2020;
- Basic earnings per share of approximately RMB0.58, representing an increase of approximately 107.1% compared to the year ended December 31, 2020.

The board (the "**Board**") of directors (the "**Directors**") of Simcere Pharmaceutical Group Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company together with its subsidiaries (collectively the "**Group**") for the year ended December 31, 2021 (the "**Reporting Period**"), together with the comparative figures for the same period in 2020. The consolidated financial information for the Reporting Period have been reviewed by the audit committee of the Company (the "**Audit Committee**").

COMPANY OVERVIEW

Simcere Pharmaceutical Group Limited is an innovation and R&D-driven pharmaceutical company with capabilities in R&D, production and professional marketing.

The Group focuses on three therapeutic areas including oncology, nervous system and autoimmune with forward-looking layout of disease areas with significant clinical needs in the future. In these three major areas, the Group has five innovative pharmaceuticals approved for marketing and sale (including an imported innovative pharmaceutical). As of December 31, 2021, the Group has over 10 products recommended in more than 40 guidelines and pathways issued by government authorities or prestigious professional associations, and has over 40 products included in the Drugs Catalogue for the National Basic Medical Insurance, Workrelated Injury Insurance and Maternity Insurance (the "**NRDL**").

The Group pays high attention to the building of innovative pharmaceutical R&D capability and has realized functions covering the whole process from drug discovery, preclinical development, clinical trial to registration, and has a national key laboratory of translational medicine and innovative pharmaceuticals. The Group establishes innovative drug R&D centers in Shanghai, Nanjing and Boston and another innovative drug R&D center is under preparation in Beijing. The Group has nearly 60 innovative pharmaceuticals in its R&D pipelines, and is conducting 19 registration clinical studies for 16 potential innovative pharmaceuticals. As of December 31, 2021, the Group had a R&D team of approximately 950 persons in total.

The Group has leading commercial capabilities with nationwide sales and distribution network. As innovative pharmaceuticals continue to be approved for marketing, the Group has constantly enhanced training and improved the professional academic promotion capabilities of its marketing team, so as to ensure the speed and efficiency of commercial promotion and to increase product coverage. As of December 31, 2021, the Group had a total of nearly 4,000 salespersons spanning across 31 provinces, municipalities and autonomous regions in China, covering over 2,700 Class III hospitals, approximately 17,000 other hospitals and medical institutions, as well as more than 200 large-scale national or regional pharmacy chains.

The Group establishes world-class manufacturing infrastructures and quality control standards, and has continuously improved its manufacturing capabilities of pharmaceuticals. The Group has put into use of 5 PRC GMP certified production facilities for the manufacturing of its pharmaceutical products, and has received EU GMP certification or passed the U.S. FDA inspection for some of its production workshops.

Driven by both independent and collective R&D efforts, the Group continuously develops the products with urgent patient demand and significant market potential, striving to achieve the corporate mission of "providing today's patients with medicines of the future".

MAJOR PRODUCTS

Nervous System Products	Sanbexin® (edaravone and dexborneol concentrated solution for injection)
Oncology Products	Endostar® (recombinant human endostatin injection) ENWEIDA® (envafolimab injection)
Autoimmune Products	Iremod® (iguratimod tablets) Yingtaiqing® (diclofenac sodium sustained release capsules/gel) Orencia® (abatacept injection)
Other Products	Softan® (rosuvastatin calcium tablets) ZAILIN® (amoxicillin granules/dispersible tablets/capsules)

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

China has a large patient base with significant unsatisfied clinical needs, which has promoted the rapid development of the pharmaceutical market in recent years. Since 2016, the acceleration of pharmaceutical review and approval in China, the extended coverage of the NRDL and more investment from the capital market drove the booming development of the R&D of innovative pharmaceuticals. At the same time, there are general phenomena of followed innovation, the repeated R&D of popular targets and the serious homogenization of clinical trials of new pharmaceuticals. In 2021, the regulatory authorities issued the Guiding Principles for Anti-tumor Drugs-Oriented Clinical Research and Development by Clinical Value, which put forward the vigorous requirements for differentiated innovation as the source of evaluation to guide innovative pharmaceutical enterprises to avoid low-level duplication and develop products with the practical value of clinical innovation based on actual needs. Both pharmaceutical enterprises and innovative biotechnology corporations shall further prove their own capability on the two pivotal elements of registration for marketing and commercialization if they are willing to demonstrate innovation value. Since the development of innovative pharmaceuticals in China has entered the era of 2.0, innovative enterprises must adhere to being patient-oriented, keep in line with the forward-looking differentiation in the pursuit of high-quality development, so as to develop the ability of professional and mature innovative drugs R&D and commercialization, thus attaining a advantageous position in competition and cooperation and promoting a steady development of the enterprise.

KEY MILESTONES

During the year ended December 31, 2021, the Group made a series of advances in respect of its product candidates and business operations, including the following key milestones and achievements:

January 18, 2021	Trilaciclib Hydrochloride for Injection obtained the Clinical Trial Approval issued by the Center for Drug Evaluation ("**CDE**") of National Medical Products Administration of China (the "**NMPA**"), which is designed for preventing chemotherapy-induced myelosuppression in patients with small-cell lung cancer. On April 9, 2021 and June 10, 2021, the pharmaceutical product obtained another two phase III Clinical Trial Approvals issued by the NMPA for two indications: metastatic colorectal cancer and triple negative breast cancer, respectively.
February 9, 2021	Sevacizumab obtained the Clinical Trial Approval issued by the NMPA for treatment of malignant solid tumors.
February 16, 2021	Data from the result of phase III TASTE clinical study relating to Sanbexin® (edaravone and dexborneol concentrated solution for injection) was published in STROKE, a leading international authoritative medicine journal.
March 18, 2021	New indications of Endostar® (recombinant human endostatin injection) obtained the Clinical Trial Approval issued by the NMPA to conduct a phase III clinical study of Endostar® intrapleural injection for the treatment of malignant thoracoabdominal effusions.
March 29, 2021	The Group entered into an exclusive license agreement with Kazia Therapeutics, to introduce the right to develop and commercialize SIM0395 (PI3K/mTOR) for all indications in Greater China. On December 6, 2021, SIM0395 obtained the Clinical Trial Approval issued by the NMPA, which is designed for glioblastoma (GBM), including patients with new diagnosis and recurrence.
April 12, 2021	SIM0307 (AQP4) obtained the Clinical Trial Approval issued by the NMPA, which is designed for the treatment of acute severe ischaemic stroke complicated by cerebral oedema.
June 17, 2021	Lenvatinib mesilate capsules obtained the Clinical Trial Approval issued by the NMPA, which is used in a multi-center phase Ib/II clinical study for evaluation on treatment of advanced solid tumors with Envafolimab in combination with Lenvatinib. On September 2, 2021, the product obtained the Clinical Trial Approval for endometrial cancer.

June 29, 2021	The Group entered into a strategic regional licensing partnership under the license agreement to develop and commercialize two medicines targeting the neurotoxicity amyloid protein N3pE (pGlu-Aβ) for treating Alzheimer's disease (AD) in Greater China with Vivoryon Therapeutics, namely SIM0408 (QPCT) and SIM0409(Aβ).
July 29, 2021	The clinical trial application for an open-label, multiple-cohorts and multi-institutional phase II clinical study on the efficacy and safety of Sevacizumab combination with envafolimab with or without chemotherapy for the treatment of patients with advanced solid tumors obtained the Clinical Trial Approval issued by the NMPA.
November 17, 2021	The Group entered into a technology transfer agreement with Shanghai Institute of Materia Medica, Chinese Academy of Sciences ("**SIMM**"), etc., to obtain development, production and commercialization rights on an exclusive basis of the anti-novel coronavirus ("**SARS-CoV-2**") drug candidate SIM0417 (3CL) series worldwide.
November 25, 2021	ENWEIDA® (Envafolimab Injection), a single domain antibody against recombinant humanized PD-L1 and a protein fused with Fc, developed by the Group in collaboration with 3D Medicines (Beijing) Co., Ltd. ("**3D (Beijing) Medicines**") and Jiangsu Alphamab Biopharmaceuticals Co., Ltd. ("**Jiangsu Alphamab**"), has formally obtained the conditional approval for marketing in China by the NMPA.
November 29, 2021	The NMPA accepted the application for registration and marketing authorization for the overseas-manufactured drug of Trilaciclib Hydrochloride for Injection, which is intended for preventive use in the patients with extensive small-cell lung cancer (ES-SCLC) treated with platinum-containing drugs in combination with etoposide regimens to reduce the incidence of chemotherapy-induced myelosuppression. On December 22, 2021, the CDE officially included Trilaciclib Hydrochloride for Injection into the Priority Review Drug Species Designation.
December 6, 2021	SIM0235, a humanized antitumor necrosis factor receptor 2 (TNFR2) monoclonal antibody independently developed by the Group, has obtained the Clinical Trial Approval issued by the NMPA, which is intended to be used for clinical trials of relapsed or refractory advanced solid tumors and cutaneous T-cell lymphoma (CTCL).
December 15, 2021	The Group and Avilex Pharma ApS ("**Avilex**"), a Danish biotechnology company, announced to develop, manufacture and commercialize a drug candidate SIM0419 (PSD-95) for all indications in Greater China. SIM0419 is a dipeptide candidate drug for the treatment of numerous neurological diseases such as acute ischemic stroke (AIS) and subarachnoid hemorrhage (SAH).

December 27, 2021	SIM0270, an oral brainpenetration selective estrogen receptor down-regulator (SERD) inhibitor self-developed by the Company, has obtained the Clinical Trial Approval issued by the NMPA, and is proposed for a clinical trial for the treatment of ER-positive, HER-2 negative breast cancer.

Following the Reporting Period and up to the date of this announcement, the Group completed the following milestones:

January 29, 2022	SIM0235 (TNFR2) has obtained the Investigational New Drug (IND) approval issued by the U.S. Food and Drug Administration (FDA), which is intended to be used for clinical trials of advanced solid tumors and cutaneous T-cell lymphoma (CTCL).
February 23, 2022	The Group announced that the primary endpoint had been achieved a randomized, double-blind, placebo-controlled, multi-center phase III clinical study (TRACES study) evaluating safety, efficacy and pharmacokinetics of Trilaciclib Hydrochloride for Injection in extensive small-cell lung cancer (ES-SCLC) patients who are receiving carboplatin in combination with etoposide or topotecan treatment, has met the primary endpoint in efficacy.
February 24, 2022	SIM0408 (QPCT) obtained the Clinical Trial Approval issued by the NMPA, and is proposed for the treatment of mild cognitive impairment (MCI) and dementia at mild stage caused by Alzheimer's disease.
March 18, 2022	The Group entered into a cooperation agreement with Lynk Pharmaceuticals Co., Ltd., pursuant to which, the Group obtain the exclusive commercialization right of a selective JAK1 inhibitor for rheumatoid arthritis and ankylosing spondylitis indications in China.
March 21, 2022	SIM0272 (SCR-6920), the anti-tumor oral protein arginine methyltransferase 5 (PRMT5) inhibitor self-developed by the Group has obtained the Clinical Trial Approval issued by the NMPA, which is intended to be used in the clinical trial for the treatment of advanced malignant tumors.

For details of each of the above, please refer to the announcements of the Company published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company.

REVENUE

For the year ended December 31, 2021, the revenue of the Group was approximately RMB5.000 billion. In particular, the revenue from innovative pharmaceuticals has become the main source of revenue for the Group, and amounted to approximately RMB3.120 billion, representing a significant increase of approximately 53.8% compared to the revenue of RMB2.029 billion from innovative pharmaceuticals for the same period of 2020. The revenue from innovative pharmaceuticals hit a record high, contributing 62.4% of the total revenue for the same period to set a historic high (32.9% and 45.1% for 2019 and 2020, respectively).

The Group's main revenue concentrated on the three major strategically focused areas: oncology, nervous system and autoimmune. The Group generates revenue from sales of pharmaceutical products and promotion service. The increase of the Group's total revenue during 2021 was mainly due to the rapid increase in revenue from an innovative pharmaceutical, Sanbexin® (edaravone and dexborneol concentrated solution for injection).

Nervous System Products

Main products in this therapeutic area include Sanbexin®. For the year ended December 31, 2021, sales revenue from the Nervous system product portfolio reached approximately RMB1,543 million, accounting for approximately 30.9% of the Group's total revenue. Besides, the Group also generated revenue from provision of promotion service.

Sanbexin® (edaravone and dexborneol concentrated solution for injection)

Sanbexin® is a category I innovative drug developed by the Group with proprietary intellectual property right and has been approved for marketing in China in July 2020. According to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. ("**Frost & Sullivan**"), it has been the only pharmaceutical for the treatment of stroke which has obtained the approval for sale since 2015 worldwide.

- On February 16, 2021, data from the result of phase III TASTE Trial relating to Sanbexin® was published in STROKE, a leading international authoritative medicine journal. The trial included a total of approximately 1,200 acute ischemic stroke patients and was completed at 48 clinical centers in China, with randomized, double-blind, positive controlled, head-to-head comparison with edaravone monotherapy conducted. Data shows that Sanbexin® has the efficacy advantage and is fairly safe.

- On March 1, 2021, the updated NRDL was officially implemented. Sanbexin® was included in the NRDL on December 28, 2020.

- On August 27, 2021, Sanbexin® was recommended by the Specialists' Consensus on the Clinical Assessment and Treatment of Acute Cerebral Infarction Ischemic Penumbra in China. The recommended contents are: Edaravone and dexborneol concentrated solution blocks the cerebral ischemic cascade through multiple targets and has a protective effect on the ischemic penumbra, which is worthy of further clinical exploration (Level II recommendation, level B evidence).

- In September 2021, two studies of Sanbexin® were presented at the European Stroke Organization Conference (ESOC). In patients with large atherosclerosis (LAA) ischemic stroke, edaravone and dexborneol can achieve better functional outcomes than edaravone; in the rat model of global cerebral ischemia, edaravone and dexborneol concentrated solution for injection showed neuroprotective effect.

- In September 2021, a study at the scientific meeting of the American Heart Association (AHA) Hypertension Council showed that in patients with a history of hypertension, edaravone and dexborneol had better functional outcomes than edaravone.

- In October 2021, a research result of the 25th World Congress of Neurology (WCN) showed that edaravone and dexborneol combined with Alteplase was effective in the treatment of Acute Ischemic Stroke (AIS), which could effectively improve neurological function, inhibit bleeding transformation and reduce cytokine level.

- On March 18, 2022, a study for evaluation of the efficacy and safety of Sanbexin® combined with reperfusion in the treatment of AIS patients (TASTE II) completed the first patient in for the clinical trial. The study was led by Professor Wang Yongjun (王擁軍) of Beijing Hospital, Capital Medical University, with intended enrollment of more than 1,362 cases.

Oncology Products

Main products in this therapeutic area include Endostar® (recombinant human endostatin injection), etc. For the year ended December 31, 2021, sales revenue from the oncology product portfolio reached approximately RMB1,200 million, accounting for approximately 24.0% of the Group's total revenue. Besides, the Group also generated revenue from provision of promotion service.

Endostar® (recombinant human endostatin injection)

Endostar® is the first proprietary anti-angiogenic targeted drug in China and the only endostatin approved for sale in domestic and overseas. Endostar® has been included in the NRDL since 2017 and is recommended as a first-line treatment for patients with advanced non-small-cell lung cancer (NSCLC) by a number of oncology clinical practice guidelines issued by the National Health Commission of the PRC ("**NHC**"), Chinese Medical Association (中華醫學會) and Chinese Society of Clinical Oncology ("**CSCO**"). In September 2020, CSCO's Expert Committee on Antineoplastic Safety Management (中國臨床腫瘤學會抗腫瘤藥物安全管理專家委員會) and Expert Committee on Vascular Targeting Therapy (血管靶向治療專家委員會) published the Expert Consensus on the Clinical Application of Recombinant Human Endostatin to Treat Malignant Serous Effusion (《重組人血管內皮抑制素治療惡性漿膜腔積液臨床應用專家共識》) in Chinese Clinical Oncology. Based on the relevant translational research, clinical trial and real world study, the consensus aimed to provide guidance for the reasonable application of Endostar® in the clinical practice to treat malignant serous effusions (including malignant pleural effusions, malignant ascites and malignant pericardial effusions).

- On March 18, 2021, the Group obtained the Clinical Trial Approval issued by the NMPA for the phase III clinical trial of Endostar® on the new indication of malignant thoracoabdominal effusions, that is, a randomized, controlled and double-blinded multicentre phase III clinical

study of intracavitary injection with Endostar® in combination with Cisplatin versus Placebo in combination with Cisplatin for the treatment of malignant thoracoabdominal effusions (COREMAP study). The first patient in for the clinical trial was completed on July 28, 2021.

- In April 2021, the Guidelines of Chinese Society of Clinical Oncology for the Diagnosis incorporated anti-angiogenesis therapy into the first-line recommended treatment of recurrent and metastatic nasopharyngeal carcinoma for the first time and recombinant human endostatin is the only recommended antiangiogenic drug.

- In June 2021, the American Society of Clinical Oncology (ASCO) published 4 important research results in relation to Endostar® at its 57th annual meeting in the form of online abstract, including the combination with Nivolumab to treat non-small cell lung cancer, the combination with radiotherapy to treat nasopharyngeal carcinoma and the combination with chemotherapy to treat melanoma.

- In September 2021, 9 studies of recombinant human endostatin were selected at the 24th annual meeting of Chinese Society of Clinical Oncology and the 2021 CSCO annual meeting and 1 study was presented at the European Society for Medical Oncology (ESMO), showing the antitumor effect of recombinant human endostatin in NSCLC, SCLC, melanoma, cervical cancer and other tumors.

ENWEIDA® (envafolimab injection)

ENWEIDA® is a single domain antibody against recombinant humanized PD-L1 and a protein fused with Fc. ENWEIDA® is the world's first PD-(L)1 antibody to be administered by subcutaneous injection approved for marketing. Its unique method of injection differentiates itself from other PD-(L)1 products currently on the market, with the advantages of short administration time and good safety. On March 30, 2020, the Group entered into a tripartite cooperation agreement in relation to envafolimab with 3D (Beijing) Medicines and Jiangsu Alphamab. The above-mentioned agreement provides the Group with the exclusive right to promote envafolimab for all oncology indications and the right of first refusal of external licensing or assignment in mainland China.

- In May 2021, the results of the world's first phase I clinical study of envafolimab were published, which showed that subcutaneous injection of envafolimab was an effective administration with good tolerance. With a wide range of doses and regimens, it had long-lasting antitumor activity in patients with responsive advanced solid tumors.

- In June 2021, the domestic multi-institutional phase II clinical trial was published online. As the world's first PD-L1 nanobody in clinical development stage, envafolimab showed good efficacy and safety for advanced solid tumors with MSI-H/dMMR in phase II clinical study. As evaluated by BIRC, the Overall Response Rate (ORR) of all patients was 42.7%.

- On July 29, 2021, the Group obtained the Clinical Trial Approval issued by the NMPA for a multiple-cohort and multi-institutional phase II clinical trial on the efficacy and safety of Sevacizumab in combination with envafolimab with or without chemotherapy for the treatment of patients with advanced solid tumors.

- On November 25, 2021, ENWEIDA® has obtained the conditional approval of marketing in China by the NMPA, applicable for treatment of adult patients with advanced solid tumors who have unresectable or metastatic microsatellite instability-high (MSI-H) or mismatch repair gene-deficient (dMMR), including those patients with advanced colorectal cancer who have experienced disease progression after being treated with fluorouracil, oxaliplatin and irinotecan previously, as well as other patients with advanced solid tumors who have experienced disease progression after previous treatment and no satisfactory treatment alternatives.

Autoimmune Products

Main products in this therapeutic area include Iremod® (iguratimod tablets), Yingtaiqing® (diclofenac sodium sustained release capsules/gel) and Orencia® (abatacept injection). For the year ended December 31, 2021, sales revenue from the autoimmune product portfolio reached approximately RMB892 million, accounting for approximately 17.8% of the Group's total revenue. Besides, the Group also generated revenue from provision of promotion service.

Iremod® (iguratimod tablets)

Iremod® is the first iguratimod pharmaceutical product approved for marketing in the world and the only of its kind approved for marketing in mainland China, and is the only small molecule DMARD that is developed independently and marketed in China in the recent ten years. Iremod® has been included in the NRDL since 2017 and is recommended as the primary therapy drug for the treatment of active rheumatoid arthritis by a number of clinical practice guidelines and pathways issued by the NHC, Chinese Medical Association, Asia Pacific League of Associations for Rheumatology and the Ministry of Health, Labor and Welfare of Japan. Currently, the Group is actively promoting the indication expansion program on Sjögren's syndrome for this product. In April 2020, Iremod® was adopted in the "Primary Sjögren's Syndrome Diagnosis and Treatment Standards" (《原發性乾燥綜合徵診療規範》) issued by the Division of Rheumatology of the Chinese Medical Doctor Association (中國醫師協會風濕免疫科醫師分會).

- In March 2021, the results of the phase IV prospective real-world study on Iremod® were published online in *The Lancet Regional Health-Western Pacific*, a sub publication of The Lancet. 1,759 patients were enrolled in this study, which made up for the lack of evidence of large-sample IGU in China and provided a new guiding basis for clinical safe and rational drug use.

- On April 28, 2021, the first patient in for the phase II clinical research on the treatment of active primary Sjögren's syndrome with Iremod® was enrolled.

- In June 2021, two important studies on Iremod® were selected for the poster of the annual meeting of the European League Against Rheumatism (EULAR).

- In November 2021, a study of iguratimod for active spinal arthritis was selected at the American College of Rheumatology (ACR), which showed iguratimod could significantly reduce the symptoms of patients with SpA in activity with great safety and tolerance as a whole.

Other Products

Main products of other therapeutic areas include Softan® (rosuvastatin calcium tablets) and ZAILIN® (amoxicillin granules/dispersible tablets/capsules). For the year ended December 31, 2021, sales revenue from the said product portfolio reached approximately RMB958 million, accounting for approximately 19.2% of the Group's total revenue. Besides, the Group also generated revenue from provision of promotion service.

RESEARCH AND DEVELOPMENT

The Group pays high attention to the R&D of innovative pharmaceutical, continues to increase R&D investment year on year. During the year ended December 31, 2021, R&D investment amounted to approximately RMB1,417 million, accounting for approximately 28.3% of the revenue (the Group's R&D investment accounted for 14.2% and 25.3% in 2019 and 2020, respectively), representing an increase of approximately RMB275 million or 24.1% compared to the same period of 2020.

The Group's R&D strategy continues to focus on the three advantageous therapeutic areas: oncology, nervous system and autoimmune with forward-looking layout of disease areas with significant influence in the future, and develops products covering both small molecule chemical drugs and large molecule biologics. The Group pays high attention to the building of innovative pharmaceutical R&D ability, and establishes innovative drug R&D centers in Shanghai, Nanjing, Boston and another innovative drug R&D center is under preparation in Beijing. As at December 31, 2021, the Group has approximately 950 R&D fellows (including approximately 120 doctors and 480 masters) in which the clinical study team expanding rapidly to approximately 300 team members. The drug R&D of the Group has realized functions covering the whole process from drug discovery, pre-clinical development, clinical trial to registration, and a national key laboratory of translational medicine and innovative pharmaceuticals has been established.

As of the date of this announcement, the Group currently has nearly 60 innovative pharmaceutical projects in its R&D pipeline with 19 innovative product candidates in its pipeline in the stage of clinical with 7 phase III clinical trials, 5 phase II clinical trials, and 7 phase I clinical trials.

For the year ended December 31, 2021, there are additional 6 phase III clinical trials included Trilaciclib Hydrochloride for Injection (for SCLC, CRC and TNBC), Sevacizumab (for ovarian cancer), Endostar® for new indications (for thoracoabdominal effusions) and SIM0395 (glioblastoma); additional 2 phase II clinical trials included docetaxel polymeric micelles for injection (for solid tumor) and Sevacizumab in combination with Envafolimab (for solid tumor); additional 3 phase I clinical trials included SIM0307 (stroke with cerebral oedema), SIM0235 (for solid tumor) and SIM0270 (breast cancer); there were additional 7 self-developed candidate molecule PCC.

For the year ended December 31, 2021, the Group completed the first patient in for 11 trials: SIM0201 (January 5, for solid tumor), SIM0295 (January 11, for gout with hyperuricemia), SIM0335 (March 30, for psoriasis), new indication of Iremod® (April 28, for Sjögren's syndrome), Trilaciclib (May 25, for small cell lung cancer), Sevacizumab (June 11, for ovarian cancer), Sanbexin sublingual tablets (June 28, for acute ischemic stroke), Endostar® for new indications (July 28, for thoracoabdominal effusions), Trilaciclib (September 24, metastatic colorectal cancer), SIM0307 (December 8, for cerebral oedema) and Envafoilmab+Sevacizumab (December 22, for solid tumor).

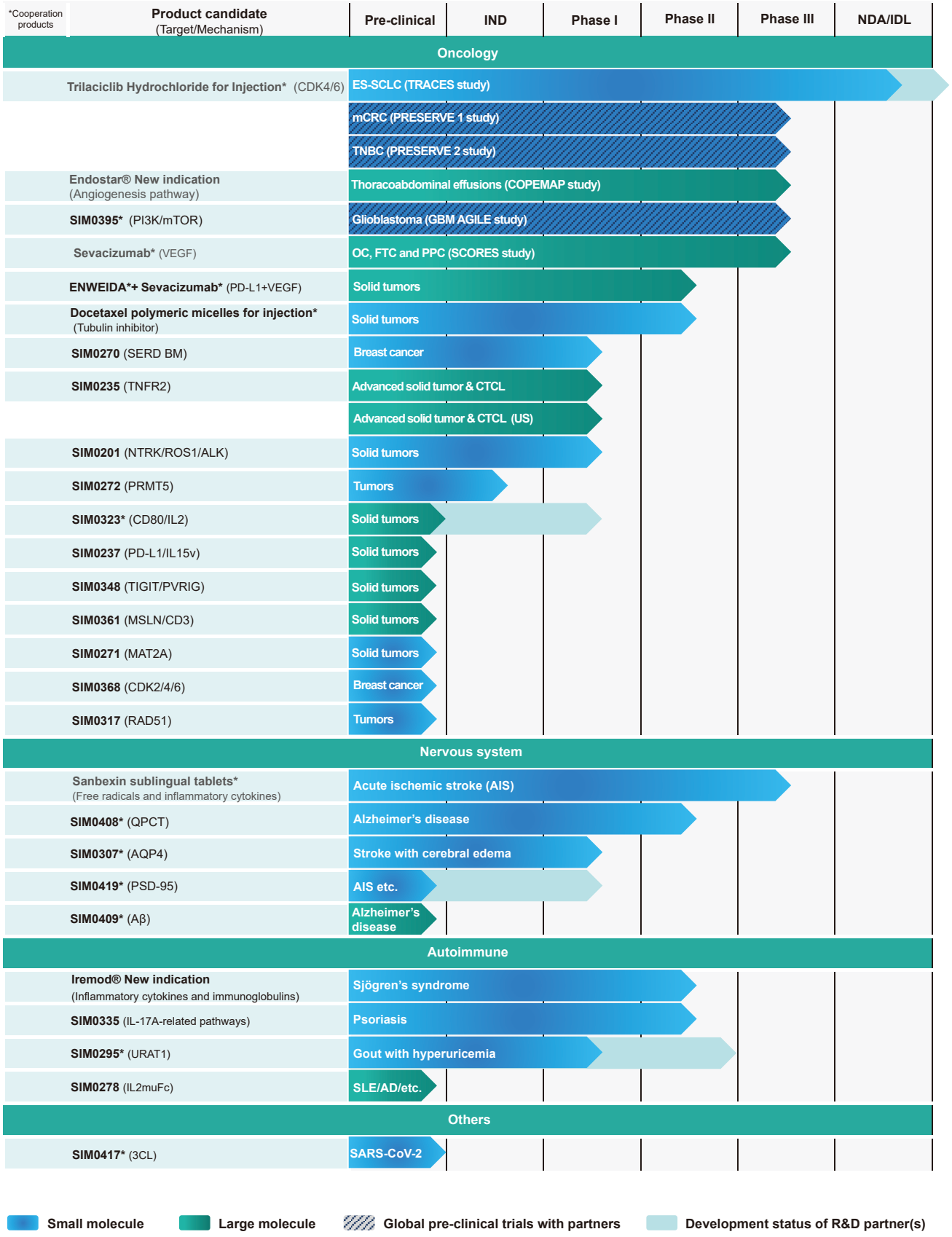

Chart The Group's Major Innovative Pharmaceutical Candidates and Their Development Status as at the Date of This Announcement

Meanwhile, the Group attaches great importance to the protection of intellectual property rights. For the year ended December 31, 2021, the Group had 223 new patent applications (including domestic and overseas unpublished patent applications): 210 invention patent applications, 10 utility model patent applications and 3 appearance design patent applications. As at December 31, 2021, the Group has accumulatively obtained 199 invention patents, 80 utility model patents and 20 appearance design patents.

For the year ended December 31, 2021, the Group obtained approvals for 7 generic pharmaceuticals including Celecoxib capsules (0.2g), mycophenolate mofetil capsules (0.25g), nifedipine controlled-release tablets (30mg), bendamustine hydrochloride for injection (25mg), bendamustine hydrochloride for injection (100mg), lenvatinib mesilate capsules (4mg) and amoxicillin and clavulanate potassium tablets (0.625g). Meanwhile, it obtained 5 consistency evaluation applications regarding bortezomib for injection (1.0mg), bortezomib for injection (3.5mg), pemetrexed disodium for injection (0.1g), pemetrexed disodium for injection (0.5g) and nedaplatin for injection (10mg).

Drug Candidates in the NDA Stage

Trilaciclib Hydrochloride for Injection is an effective, selective and reversible cyclin-dependent kinases 4 and 6 (CDK4/6) inhibitor. This first-in-class innovative drug can transiently retard hematopoietic stem cells and progenitor cells in G1 phase of cell cycle, thereby protecting bone marrow cells from damages of cytotoxic chemotherapy. In August 2020, the Group entered into the exclusive license agreement with G1 Therapeutics to develop and commercialize Trilaciclib Hydrochloride for Injection in Greater China. On February 13, 2021, the product was approved for sale by the U.S. FDA, with the indication being preventive use in small cell lung cancer patients treated with a platinum-containing regimen in combination with etoposide-containing regimen or topotecan-containing regimen, to decrease the incidence of chemotherapy-induced myelosuppression.

- On January 18, 2021, Trilaciclib Hydrochloride for Injection obtained the Clinical Trial Approval issued by the NMPA, to conduct the phase III clinical trial for small cell lung cancer patients. On May 25, 2021, the first patient in for this trial has been completed.

- On March 23, 2021, Trilaciclib Hydrochloride for Injection was recommended by the National Comprehensive Cancer Network ("**NCCN**") Guidelines.

- On April 9, 2021, the Group obtained the Clinical Trial Approval issued by the NMPA for one phase III clinical trial of the product for indications of metastatic colorectal cancer ("**mCRC**"), which were incorporated into an international multi-centre phase III clinical trial program of Trilaciclib for mCRC with FOLFOXIRI/bevacizumab (PRESERVE1 Study). On September 24, 2021, the first patient in for this trial has been completed in China.

- On June 2, 2021, the product was firstly prescribed in International Medical Tourism Pilot Zone, Boao Hope City, Hainan Free Trade Port in mainland China, and initiated the real world study (Trila-CN-RWS-001 study). As of December 2021, 30 patients have been enrolled in this study.

- On June 10, 2021, the Group obtained the Clinical Trial Approval issued by the NMPA for one phase III clinical trial of the product for indications of triple negative breast cancer, which were incorporated into an international multi-centre phase III clinical trial program of Trilaciclib for triple negative breast cancer with gemcitabine and carboplatin (PRESERVE2 study). On January 7, 2022, the first patient in for this trial has been completed in China.

- On November 29, 2021, the NMPA accepted the application for registration and marketing authorization (NDA) for the overseas-manufactured drug of Trilaciclib Hydrochloride for Injection. On December 22, 2021, the Center for Drug Evaluation ("**CDE**") of the NMPA officially included Trilaciclib Hydrochloride for Injection into the Priority Review Drug Species Designation.

- On February 23, 2022, a randomized, double-blind, placebo-controlled, multi-center phase 3 clinical study (TRACES study) evaluating safety, efficacy and pharmacokinetics of Trilaciclib Hydrochloride for Injection in extensive small-cell lung cancer (ES-SCLC) patients who are receiving carboplatin in combination with etoposide or topotecan treatment, has met the primary clinical endpoint. Based on the evaluation of the topline data, Trilaciclib Hydrochloride for Injection significantly reduced the duration of severe neutropenia (DSN) in the first phase compared with the placebo group. The relevant research results will be published at the academic conference in the future.

Drug Candidates in the Clinical Stage

Sanbexin sublingual tablets are the solid dosage form of edaravone dexborneol compound. Sublingual administration of this compound inhibits inflammation, prevent free radicals and protect the blood-brain barrier, minimizing brain cell injury or impairment caused by acute ischemic stroke (AIS). Sequential therapy consisting of Sanbexin sublingual tablets and edaravone and dexborneol concentrated solution for injection is expected to enable patients to receive a timely and complete treatment. In addition, administration of sublingual tablets is less dependent on medical facility conditions or compliance of patients, which makes it more suitable for research on new indications such as other chronic central nervous system diseases.

- In December 2020, the product was approved by the CDE to conduct the phase III clinical study directly after the phase I clinical trial. On June 28, 2021, the first patient in for the phase III clinical study for the treatment of AIS with Sanbexin sublingual tablets was completed. As at 31 December 2021, this clinical study has completed 519 patients in, and is planning to complete interim analysis and realize the enrollment of all patients and database lock in the first half of 2022.

SIM0395 (Paxalisib) is a PI3K/mTOR pathway inhibitor that can penetrate the blood-brain barrier. A phase II clinical study showed that Paxalisib showed encouraging clinical efficacy signals in patients with MGMT unmethylated glioblastoma. Paxalisib was awarded the GBM orphan drug certification by FDA in 2018 and the fast track certification by FDA, the rare childhood disease and orphan drug certification of diffuse endogenous pontine glioma (DIPG) in 2020. In March 2021, the Group entered into an exclusive license agreement with Kazia for the development and commercialization rights of SIM0395 for all indications in the Greater China region. At present, the partner Kazia is in the international multi-center key clinical trial for glioblastoma (GBM AGILE Study).

- On December 6, 2021, SIM0395 obtained the Clinical Trial Approval issued by the NMPA, which is designed for glioblastoma (GBM), including patients with new diagnosis and recurrence.

Sevacizumab is a new-generation recombinant humanized anti-vascular endothelial growth factor (anti-VEGF) monoclonal antibody. In its pre-clinical studies, Sevacizumab has shown higher anti-tumor efficacy than bevacizumab at the same dose in multiple cancer models. In the phase I clinical trial conducted in China for the treatment of ovarian cancer, preliminary results showed a favorable safety profile and efficacy signals.

- On February 9, 2021, the NMPA issued the Clinical Trial Approval for the initiation of phase III study for the treatment of malignant solid tumors with Sevacizumab.

- On June 11, 2021, the first patient in for the phase III clinical trial of Sevacizumab in combination with chemotherapy compared with placebo in combination with chemotherapy in patients with recurrent epithelial ovarian cancer, fallopian tube cancer and primary peritoneal cancer who failed to be treated with platinum chemotherapy regimen (SCORES Study) was completed.

- On July 29, 2021, the Group obtained the Clinical Trial Approval issued by the NMPA for a multiple-cohorts and multi-institutional phase II clinical trial to evaluate the safety and efficacy of Sevacizumab in combination with envafolimab with or without chemotherapy in patients with advanced solid tumors.

Docetaxel polymeric micelles for injection The polyethylene glycol monomethyl ether-polylactic acid block copolymer (mPEG-PDLLA), an amphiphilic biocompatible biodegradable material, is used as the solubilizing carrier of docetaxel to reduce the allergy and hematotoxicity of docetaxel injection to facilitate clinical application. In September 2020, the Group reached a global cooperation with Suzhou Hightechbio Biotechnology Co., Ltd. on this product.

- On October 28, 2021, the Phase II clinical trial on Docetaxel micellar polymer for injection for solid tumors was launched in China.

SIM0270 is the second-generation oral selective estrogen receptor degrading agent (SERD) with blood-brain barrier-penetrating properties independently developed by the Group. The efficacy of SIM0270 in the in vivo model is significantly better than the only SERD-type fulvestrant for intramuscular injection currently on the market in the world, and is equivalent to the efficacy of the leading compound in the clinical trial stage. It reflects a brain-to-blood ratio significantly better than competing compounds and also shows a tumor-inhibiting drug therapy far superior to fulvestrant on the brain orthotopic model of breast cancer. It is expected to be used for the treatment of breast cancer with brain metastases.

- On December 27, 2021, SIM0270 (SCR-6852 capsules) obtained the Clinical Trial Approval issued by the NMPA, which is intended for the clinical trial of ER+/HER2- breast cancer.

SIM0235 is a tumor-immune target human immunoglobulin G1 (IgG1) humanized anti-tumor necrosis factor type 2 receptor (TNFR2) monoclonal antibody independently developed by the Group. The preclinical pharmacodynamic model shows single-agent efficacy equivalent to PD-L1 and the potential and superior safety in combination with PD-1. SIM0235 can specifically recognize TNFR2 expressed on the cell surface and kill immunosuppressive cells such as regulatory T cells (Treg) and bone marrow derived suppressor cells (MDSC) with high expression of TNFR2 through Fc end functions including antibody dependent cell-mediated cytotoxicity (ADCC) and antibody dependent cell-mediated phagocytosis (ADCP). At the same time, it can also block the activation of endogenous tumor necrosis factor (TNF) on TNFR2, inhibit the immunosuppressive function mediated by TNFR2 and the proliferation of related TNFR2 + immunosuppressive cells Treg and MDSC, enhance the body's killing immune response to tumor and play an anti-tumor role. In addition, SIM0235 can specifically recognize TNFR2 expressed on the surface of tumor cells and directly kill tumor cells with high expression of TNFR2 through the effector function mediated by Fc end of antibody.

- On December 6, 2021, SIM0235 (SIM1811-03 injection) obtained the Clinical Trial Approval issued by the NMPA. On March 16, 2022, the first patient in for phase I clinical trial of SIM0235 was completed in China.

- On January 29, 2022, the application for Investigational New Drug (IND) of the drug was approved by the U.S. Food and Drug Administration (FDA) to carry out the clinical trial of advanced solid tumor and skin T-cell lymphoma (CTCL).

SIM0307 is an Aquaporin-4 (AQP4) inhibitor developed based on the Aquaporin water channel theory which has been awarded the Nobel Prize. It is intended for the treatment of acute severe ischaemic stroke complicated by cerebral oedema, as a First-in-class small molecule drug with a novel mechanism of action for brain oedema therapy. The Group entered into a license agreement with Aeromics, Inc. in October 2019, pursuant to which the Group obtained a proprietary and sublicensable license for its self-funded research, development, production and commercialization of SIM0307 in the Greater China region.

- On April 12, 2021, SIM0307 obtained the Clinical Trial Approval issued by the NMPA and initiated the phase I clinical trial study in China. On December 8, 2021, the first patient in for the study was completed.

SIM0408 is an oral small molecule inhibitor targeting glutamine acyl cyclase (QPCT). By inhibiting QPCT to prevent the formation of toxic N3pE starch protein, SIM0408 can play a role in the early stage of disease, which may prevent neuronal damage.

- On June 29, 2021, the Company established a strategic regional licensing partnership with Vivoryon Therapeutics N.V. ("**Vivoryon**") for the development and commercialization of SIM0408 and other drugs in Greater China. At present, the global clinical research and development of partners in the treatment of early Alzheimer's disease has entered clinical phase II, and entered phase IIb (VIVIAD study) and phase IIa/b (VIVA-MIND study) in Europe and the United States respectively.

- On December 20, 2021, FDA has granted "Fast Track" accreditation to the candidate drug.

- On February 24, 2022, SIM0408 (Hydrochloride PQ912 tablets) has obtained the Clinical Trial Approval issued by the NMPA, which is intended for the treatment of mild cognitive impairment (MCI) or mild dementia caused by Alzheimer's disease (AD) and the support for the Phase I and Phase II clinical trial in China.

SIM0335 is an innovative small molecule drug by the Group's in-house R&D efforts, a category I drug candidate and the first of its kind in the world that controls fatty acid metabolism and works on IL-17A-related pathways, intended for the treatment of mild to moderate plaque psoriasis through topical administration.

- On March 30, 2021, the first patient in for the phase I clinical trial of SIM0335 was completed. Phase I clinical results showed that the systematic exposure was low and the systematic safety risk was expected to be small.

- On March 16, 2022, Phase IIa clinical trial of SIM0335 obtained the relevant ethical approval documents, and the recruitment of relevant patients was launched in China.

SIM0272 is a PRMT5 inhibitor self-administered by the Group with high PRMT5 inhibitory activity and high selectivity. PRMT5 is overexpressed in many cancers, including lung, breast, gastric, colorectal, ovarian, leukaemia and lymphoma, and is associated with progression and poor prognosis in most cancers. Preclinical pharmacokinetic studies revealed that SIM0272 tends to distribute within the tumor with an intratumoral drug concentration to plasma drug ratio

of approximately 10 times that of other in study PRMT5 inhibitors and exhibits proliferation inhibitory activity against a variety of hematologic and solid tumor cells in vitro, with the potential to substantially reduce plasma exposure and target related hematologic toxic side effects while inhibiting tumors.

- On March 21, 2022, SIM0272 obtained the Clinical Trail Approval for drugs issued by the NMPA, which is intended for conducting clinical trials for advanced malignant tumors.

Selected Drug Candidates in the Pre-clinical Stage

SIM0417 On November 17, 2021, the Group entered into a technology transfer contract with SIMM, etc., pursuant to which the Group will obtain development, production and commercialization rights on an exclusive basis of the SARS-CoV-2 drug candidate SIM0417 series worldwide.

SIM0417 (SD8432) can replicate 3CL, a key protease essential against SARS-CoV-2 virus, and has shown good safety, in-vivo pharmacokinetics and broad-spectrum antiviral activity in pre-clinical study: (1) No drug toxicity was found in safety pharmacology, 14 day repeated administration toxicity (GLP) toxicology and genotoxicity; (2) Lung tissue is highly exposed and human plasma protein binding rate is lower; (3) Good antiviral activity against a variety of COVID-19 variants, including wild-type, Delta and Omicron strain has been exhibited with the effect to inhibit virus replication in lung and brain tissue and protect tissue damage caused by virus infection. The research results will be published in academic journals or conferences.

As of the date of this announcement, the Group is actively communicating with regulatory authorities and clinical researchers and effectively promoting on whether the existing research data supports the intended clinical trials and the implementation plan of subsequent clinical studies.

SIM0323 is the first-in-class CD80/IL-2 bifunctional fusion protein developed by the Group and GI Innovation. The preclinical pharmacodynamic model shows significant single-drug efficacy and the potential for combined use with other anticancer drugs, such as in PD-1 inhibitors and chemotherapeutics.

- On April 21, 2021 and June 10, 2021, the partner was approved for clinical trials by the Korean Ministry of Food and Drug Safety and the U.S. FDA to carry out phase I/II clinical trials of the drug.

- On July 28, 2021, the Group submitted the pre-IND application to the CDE.

SIM0278 is a Treg-preferred IL2 fusion protein with high bioavailability. Preclinical studies have found that SIM0278 can better target the activation function of Teff/NK cells, a larger Treg/Teff treatment window, excellent PK, PD and safety (monkey). It can develop subcutaneous injection type and is expected to have good patient compliance. It is an important cornerstone candidate drug of Treg-Centric strategy.

SIM0419 is a dimer peptide candidate drug (AVLX-144) that the Group cooperates with Avilex, a Danish biotechnology company, and is intended to be used for the treatment of a variety of neurological diseases such as (AIS) and subarachnoid hemorrhage (SAH). The action target is PSD-95. PSD-95 can induce the production of neuroexcitotoxic substances and damage neurons by

forming a complex with N-methyl-D-aspartate (NMDA) receptor and neuronal nitric oxide synthase (nNOS), one of the subtypes of glutamate receptor. SIM0419, as a dimer inhibitor of PSD-95, can simultaneously bind to two PDZ domains in PSD-95 and block the interaction between PSD-95, NMDA and nNOS. Its molecular structure has been optimized to have higher affinity, higher stability and stronger neuroprotective activity.

- The partner has completed the phase I study of the molecular evaluation of safety and tolerance overseas in May 2021, and is about to enter the phase II clinical study.

SIM0348 is a self-developed TIGIT dual antibody that more potently activates T/NK cells by simultaneously targeting TIGIT and PVRIG modulating immunosuppressive signals, enhances CD8+T cell costimulatory signals, optimizes Fc function, and potently kills TIGIT+ Treg cells. Preclinical studies have shown that SIM0348 can effectively promote the killing of NK cells on human colorectal cancer cells and significantly enhance the release of IFN-γ factor of antigen-specific CD8+T cells, and its single agent in vitro activity and efficacy are significantly superior to those of Tiragolumab, achieving 1+1>2 efficacy with more superior PD-(L)1 synergy.

SIM0317 a RAD-51 inhibitor self-administered by the Group. RAD51 is an enzyme that repairs DNA double strand breaks by homologous recombination and is lowly or not expressed in normal tissues but highly expressed in some cancer cells. Downregulation of RAD51 reduces the DNA damage repair ability of tumor cells, thereby improving the efficacy of tumor treatment. SIM0317, as a new generation RAD51 inhibitor, exhibited significant and specific antiproliferative activity against human lymphoma Daudi cells in vitro, resulting in synergistic anticancer responses in lymphoma and solid tumor cell lines when combined with chemotherapeutic or DDR targeting agents.

SIM0361 is a CD3 multispecific antibody targeting MSLN based on SMART, an autonomously developed CD3 multispecific antibody platform by the Group. Mesothelin (MSLN), a glycoprotein overexpressed on the cell surface of a variety of malignancies, is a potential therapeutic target for haematological neoplasms such as acute myeloid leukaemia (AML) and several solid tumours such as mesothelioma, cholangiocarcinoma, ovarian, pancreatic, lung, breast and gastric cancers. SIM0361 is able to target both the distal and proximal membrane ends of MSLN, and is more conducive to the formation of immunological synapse and tumor cell killing by T cells, in vitro cell killing experiments and in vivo drug efficacy experiments, and all significantly outperformed the positive control antibody targeting the distal membrane end alone. Meanwhile, SIM0361 employed the design of a low affinity CD3 terminus to reduce Treg priming and T cell depletion, enhancing their anti-tumor effects in the solid tumor microenvironment.

SIM0271 is an autonomously developed MAT2A inhibitor by the Group, which significantly improved target selectivity and demonstrated superior proliferation inhibition activity in a variety of solid tumor cells, as well as superior tumor inhibition in in-vivo models. Moreover, benefitting from improved selectivity, SIM0271 was well tolerated in preclinical multispecies safety experiments, and elevated bilirubin levels in animals were not observed even at high dose conditions.

SIM0368 is a highly active inhibitor against CDK2/4/6 developed autonomously by the Group, which exhibited high inhibitory activity not only against CDK4/6-resistant cell lines but also against multiple breast cancer tumor cell lines, including HR positive and triple negative breast cancer cell lines. In vivo efficacy studies showed superior or comparable tumor growth inhibition with other CDK2/4/6 inhibitors in OVCAR3 SIM0368 versus CDK4/6-sensitive MCF7 xenograft tumor mouse models at equivalent doses.

IMPACT OF COVID-19

In early 2020, in order to control the spread of COVID-19, the Chinese government adopted certain emergency measures, including extending the Lunar New Year holiday, implementing a travel ban, blocking certain roads and suspending the operation of factories and enterprises. As of the date of this announcement, the Chinese government has greatly relaxed these emergency measures. However, COVID-19 cases (including COVID-19 Delta and Omicron variants) have continued to increase in many cities in China. Several measures have been resumed to control the COVID-19, including travel restrictions.

Even under such circumstances, the Group expects that the COVID-19 will not have a significant impact on its business operation and financial condition, mainly due to (i) since April 2020, the number of visits of Chinese medical institutions has gradually returned to the pre-pandemic level, and the market demand for the Company's products has increased; and (ii) the COVID-19 has no prolonged effect on the Group's R&D pipeline and production plan. Therefore, the Group's adequacy of capital liquidity and working capital can meet the Company's operational needs and capital commitments.

In order to reduce the risk of cross infection of office employees caused by the COVID-19, the Group adopted a strict disease prevention plan. The measures taken by the Group include: requiring to wear masks when working, disinfecting the workplace twice a day, installing medical air purification filters in the office, measuring the temperature of employees twice a day, and arranging home office arrangements where there is an outbreak of COVID-19.

The Group will pay close attention to the development of the COVID-19 (including the subsequent outbreak caused by the new variant of the COVID-19, if any), further evaluate its impact, follow the applicable regulatory guidelines on clinical trials during the COVID-19, strive to reduce delays and interruptions, and take relevant measures to minimize the pandemic's impact.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position. As at December 31, 2021, the Group had cash and cash equivalents of approximately RMB973 million (as at December 31, 2020: approximately RMB3,270 million), time deposits of approximately RMB1,620 million (as at December 31, 2020: nil). As at December 31, 2021, the Group had a balance of bank loans of approximately RMB1,530 million (as at December 31, 2020: approximately RMB3,068 million), of which RMB1,530 million (as at December 31, 2020: RMB1,793 million) would mature within one year. As at December 31, 2021, the gearing ratio of the Group (total liabilities divided by total assets) was approximately 36.4% (as at December 31, 2020: approximately 51.2%).

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. The Group expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized.

Most assets and liabilities of the Group were denominated in RMB, HKD and EUR. The Group manages the foreign exchange risks by closely monitoring the net exposure of foreign exchange risk to minimize the impact of foreign exchange fluctuations. The Group can apply forward foreign exchange contracts to hedge the foreign exchange risk of some assets and liabilities denominated in EUR and potential transactions with high probability, so as to reduce the risk caused by fluctuations of exchange rate.

PLEDGE OF GROUP'S ASSETS

As at December 31, 2021, the Group pledged bills receivable of approximately RMB81 million for issuance of bank acceptance bills and pledged bank deposits of approximately RMB1.58 million for issuance of letter of guarantee.

CONTINGENT LIABILITIES

As at December 31, 2021, the Group had no contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

During the year ended December 31, 2021, the Group did not have any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in "Use of Proceeds from the Listing" below in this announcement, as at December 31, 2021, the Group did not have any other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended December 31, 2021, the Group entered into the Share Purchase Agreement with Simcere Investment Group Limited ("**SIG**", formerly known as Excel Good Group Limited) and Simgene Group Limited ("**Simgene**") on April 15, 2021, pursuant to which the Company agreed to sell 100% of the total issued share capital of Simgene to SIG for a consideration of RMB104.17 million. For details, please refer to the announcement of the Company dated April 15, 2021 in respect of the connected transaction in relation to disposal of subsidiaries. Save as disclosed above, during the year ended December 31, 2021, the Group has no material acquisition or disposal of subsidiaries, associates and joint venture.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2021, the Group had a total of 6,182 full-time employees. The Group attached great importance to the recruitment, training and retention of outstanding employees, maintained a high standard in selecting and recruiting talents worldwide, and offered competitive compensation packages. The remuneration of employees mainly included basic salary, performance-based bonus and long-term incentives. Remuneration of the Directors and senior management who worked full time for the Company shall be determined by the Remuneration and Appraisal Committee under the Board with reference to the principal duties of relevant managerial positions, the results of performance assessment as well as the remuneration level in the market. During the year ended December 31, 2021, staff costs (including emoluments, social insurance and other benefits of the Directors) amounted to approximately RMB1,465 million. The Group established Simcere Institute, providing employees with training on a regular basis, including orientation programs and technical training for new employees, professional and management training for middle and senior management and health and safety training across all staff.

The Group has conditionally approved and adopted a restricted share units scheme (the "**2021 RSU Scheme**") on May 20, 2021 to incentivize the existing and incoming directors, senior management and employees for their contribution to the Group, and attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. Pursuant to the 2021 RSU Scheme, the Board resolved to grant an aggregate of 10,937,000 restricted share units to a total of 117 selected persons at nil consideration on July 16, 2021, of which the restricted share units representing 515,000 Shares lapsed due to (i) the selected persons failed to accept the restricted share units granted and (ii) the selected persons ceased to be selected persons due to resignation. On August 27, 2021, an aggregate of 8,712,000 restricted share units were granted to connected grantees of the Company (the "**Connected Grantees**"), which was approved by the independent shareholders at the extraordinary general meeting of the Company on November 1, 2021. On December 23, 2021, an aggregate of 11,841,000 restricted share units were granted to an aggregate of 147 selected persons at nil consideration, of which the restricted share units representing 34,000 Shares lapsed due to the results performance of the selected persons failed to satisfy the vesting conditions of the Company. As of December 31, 2021, the Company granted 31,490,000 restricted share units under the 2021 RSU Scheme, representing approximately 1.198% of the issued shares of the Company as of December 31, 2021, of which the restricted share units representing 549,000 Shares lapsed. Therefore, as at December 31, 2021, there were 30,941,000 outstanding restricted share units, representing approximately 1.177% of the issued shares of the Company as of December 31, 2021. For details of the 2021 RSU Scheme, please refer to the announcements of the Company on the relevant dates.

FINAL DIVIDEND

On March 24, 2022, the Board declared the payment of final dividend of RMB0.15 per Share for a total of RMB394,244,000 for the year ended December 31, 2021 to shareholders whose names are on the register of members of the Group on Tuesday, July 5, 2022. The proposed final dividend will be subject to the approval at the annual general meeting of the Group (the "**AGM**") to be held on Friday, June 24, 2022 and is expected to be distributed to shareholders on or before Friday, July 15, 2022.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the initial public offering of the shares of the Company in October 2020 and allotment and issuance of shares pursuant to the partial exercise of the over-allotment option in November 2020 (the "**net proceeds**") amounted in aggregate to approximately HK$3,513 million. The proposed use of the net proceeds was disclosed in the prospectus of the Company dated October 13, 2020 (the "**Prospectus**").

The following table sets out the use of net proceeds and expected utilization timeline as at December 31, 2021:

Purpose	Percentage of the total amount	Amount of net proceeds received (HK$ in million)	Amount of net proceeds utilized as at December 31, 2021 (HK$ in million)	Amount of net proceeds unutilized as at December 31, 2021 (HK$ in million)	Expected timeline for utilization
Continued research and development of the Group's selected product candidates in the Group's strategically focused therapeutic areas	60%	2,107.85	495.40	1,612.45	The actual net proceeds are expected to be fully utilized by 2027.
Reinforcement of the Group's sales and marketing capabilities	10%	351.31	284.01	67.30	The actual net proceeds are expected to be fully utilized by 2022.
Investment in companies in the pharmaceutical or biotechnology sector	10%	351.31	114.67	236.64	The actual net proceeds are expected to be fully utilized by 2023.
Repayment of certain of the Group's outstanding bank loans	10%	351.31	351.31	—	The actual net proceeds have been fully utilized in 2020.
Working capital and other general corporate purposes	10%	351.31	351.31	—	The actual net proceeds have been fully utilized in 2021.
Total	**100%**	**3,513.09**	**1,596.70**	**1,916.39**	

For more details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus. On April 15, 2021, the Board resolved to reallocate the net proceeds amounted to approximately HK$325.62 million for the selected cell therapy product candidates, including CD19 CAR T-cell therapy (Indication 1), CD19 CAR T-cell therapy (Indication 2), BCMA CAR T-cell therapy and SIM0325, to the selected oncology product candidates that are currently under development, including Trilaciclib (SCLC, metastatic CRC and TNBC), SIM0395 and Docetaxel Polymeric Micellar for Injection, details of which were disclosed in the Company's announcement of change in use of proceeds dated April 15, 2021. As at December 31, 2021, the net proceeds utilized was approximately HK$1,596.70 million and the net proceeds unutilized was approximately HK$1,916.39 million. Saved as disclosed therein, the Group intends to apply the unutilized net proceeds as at December 31, 2021 in the manner and proportion set out in the Prospectus and the announcement.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2021.

Important Events after the Reporting Period

As at the date of this announcement, the Group has no important events after the Reporting Period that are required to be disclosed.

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strengthen accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Part 2 under the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Save as disclosed in this announcement, the Group has complied with the code provisions of the Part 2 under the CG Code during the Reporting Period.

Under code provision C.2.1 of the Part 2 under the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals. As at December 31, 2021, the roles of Chairman and Chief Executive Officer of the Company were not separated and Mr. REN Jinsheng ("**Mr. REN**") currently performs these two roles. Mr. REN is the founder of the Group, the Chairman of the Board and the Chief Executive Officer of the Company. He has been primarily responsible for developing overall corporate business strategies and business operation of the Group and making significant business and operational decisions of the Group. Directors consider that vesting the roles of both the Chairman of the Board and the Chief Executive Officer of the Company in Mr. REN is beneficial to the business prospects of the Group by ensuring consistent leadership to the Group as well as prompt and effective decision making and implementation. In addition, Directors believe that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) any decision to be made by the Board requires approval by at least a majority of Directors; (ii) Mr. REN and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consists of three executive Directors (including Mr. REN), one non-executive Director and three independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

Compliance with the Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code during the Reporting Period.

Audit Committee and Review of Financial Information

The Group established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of 3 members, all of which are independent non-executive Directors, being Mr. WANG Xinhua, Mr. SONG Ruilin and Mr. WANG Jianguo. The chairperson of the Audit Committee is Mr. WANG Xinhua. Mr. WANG Xinhua possesses the appropriate professional qualifications and accounting and related financial management expertise. The main duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the financial reporting processes of the Group and the annual results and consolidated financial statements of the Group for the the year ended December 31, 2021, and is of the opinion that these statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's consolidated financial statements for the year. Pursuant to the Hong Kong Standards of on Auditing, Hong Kong Standard on Review Engagement or Hong Kong Standard on Assurance Engagements issued by the Auditing and Assurance Standards Committee of the Hong Kong, the work performed by KPMG for this regard did not constitute auditing, reviewing or other assurance engagements, thus the auditor did not provide any assurance.

Annual General Meeting

The AGM will be held on Friday, June 24, 2022. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

Closure of Register of Members

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Group's register of members will be closed from Tuesday, June 21, 2022 to Friday, June 24, 2022, both days inclusive, during which no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Group shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Group's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, June 20, 2022.

In order to determine the entitlement of shareholders to the proposed final dividend, the register of members of the Group will be closed from Thursday, June 30, 2022, to Tuesday, July 5, 2022 (both days inclusive), during which no transfer of shares will be registered. All transfer documents together with the relevant share certificates must be lodged with the Group's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 29, 2022.

Publication of the Annual Results and Annual Report

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Group (www.simcere.com). The Group's 2021 annual report will be dispatched to shareholders according to their requirements and will be published on the aforementioned websites in due course.

PROSPECTS

During the structural transition period of the pharmaceutical industry, the Group will integrate its own strategic layout to improve its management team and organization capacity. The Group will utilize its existing mature commercialization capacity to further increase the ratio of revenue from innovative pharmaceuticals, and greatly enhance its innovation capacity and comprehensive competitiveness with sustainable R&D investment. The Group will steadily promote internationalization to develop the global layout for clinical research of more self-developed molecules. The Group will also continuously pay attention to the development of the COVID-19 and make full efforts to promote the progress of the research and development of anti-COVID-19 pharmaceuticals. The Group will continuously strive for win-win collaboration based on innovation-driven strategies to create clinical benefits for patients, build a platform for employees, and generate benefits for shareholders.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all shareholders for their understanding, support and trust, with which all employees of the Group, guided by patient needs, will continue to work diligently as one in the long run.

Consolidated statements of profit or loss

For the year ended December 31, 2021

	Note	**2021**	2020
		RMB'000	*RMB'000*
Revenue	*3*	**4,999,718**	4,508,720
Cost of sales		**(1,079,983)**	(899,927)
Gross profit		**3,919,735**	3,608,793
Other income	*4(a)*	**149,510**	114,964
Other net gain	*4(b)*	**1,215,210**	326,924
Research and development costs		**(1,416,721)**	(1,141,996)
Selling and distribution expenses		**(2,036,705)**	(1,570,373)
Administrative and other operating expenses		**(382,485)**	(411,476)
Profit from operations		**1,448,544**	926,836
Finance income	*5(a)*	**68,287**	26,248
Finance costs	*5(a)*	**(70,848)**	(133,729)
Net finance costs		**(2,561)**	(107,481)
Share of losses of associates		**(43,916)**	(13,874)
Share of losses of a joint venture		**(270)**	(393)
Profit before taxation	*5*	**1,401,797**	805,088
Income tax	*6*	**97,124**	(140,801)
Profit for the year		**1,498,921**	664,287
Attributable to:			
Equity shareholders of the Company		**1,507,096**	669,534
Non-controlling interest		**(8,175)**	(5,247)
Profit for the year		**1,498,921**	664,287
Earnings per share	*8*		
Basic (RMB)		**0.58**	0.28
Diluted (RMB)		**0.58**	0.28

Consolidated statements of profit or loss and other comprehensive income

For the year ended December 31, 2021

	Note	**2021**	2020
		RMB'000	*RMB'000*
Profit for the year		**1,498,921**	664,287
Other comprehensive income for the year (after tax adjustments)	*7*		
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income (FVOCI) — net movement in fair value reserves (non-recycling), net of tax		**16,372**	211,287
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of entities with functional currencies other than Renminbi ("**RMB**")		**(59,356)**	(94,954)
Other comprehensive income for the year		**(42,984)**	116,333
Total comprehensive income for the year		**1,455,937**	780,620
Attributable to:			
Equity shareholders of the Company		**1,464,112**	785,867
Non-controlling interest		**(8,175)**	(5,247)
Total comprehensive income for the year		**1,455,937**	780,620

Consolidated statements of financial position

As at December 31, 2021

	Note	**December 31, 2021**	December 31, 2020
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,931,212**	2,127,879
Intangible assets		**59,691**	77,108
Goodwill		**172,788**	172,788
Interest in associates		**4,863**	211,148
Interest in a joint venture		**4,402**	4,672
Prepayments and deposits		**76,564**	113,534
Financial assets at fair value through other comprehensive income		**291,727**	327,655
Financial assets at fair value through profit or loss		**1,940,375**	1,231,701
Time deposits	*10*	**410,000**	—
Deferred tax assets		**289,972**	210,093
		5,181,594	4,476,578
Current assets			
Trading securities		**—**	3,634
Inventories		**235,157**	262,673
Trade and bills receivables	*9*	**2,398,767**	1,871,012
Prepayments, deposits and other receivables		**140,034**	120,557
Taxation recoverable		**16,789**	21,335
Pledged deposits	*10*	**1,580**	917,377
Restricted deposits	*10*	**4,005**	3
Time deposits	*10*	**1,210,078**	—
Cash and cash equivalents	*10*	**973,139**	3,270,241
		4,979,549	6,466,832

Consolidated statements of financial position (continued)

As at December 31, 2021

	Note	**December 31, 2021**	December 31, 2020
		RMB'000	*RMB'000*
Current liabilities			
Bank loans	*11*	**1,530,085**	1,792,940
Lease liabilities		**31,558**	38,098
Trade and bills payables	*12*	**323,951**	242,077
Other payables and accruals	*13*	**1,162,014**	1,323,343
Taxation payable		**16,155**	—
Provision		**—**	100,700
		3,063,763	3,497,158
Net current assets		**1,915,786**	2,969,674
Total assets less current liabilities		**7,097,380**	7,446,252
Non-current liabilities			
Bank loans	*11*	**—**	1,275,550
Lease liabilities		**74,239**	193,430
Deferred income		**417,613**	447,950
Deferred tax liabilities		**142,771**	193,598
		634,623	2,110,528
NET ASSETS		**6,462,757**	5,335,724
CAPITAL AND RESERVES			
Share capital		**3,002,871**	3,002,871
Reserves		**3,434,126**	2,298,918
Total equity attributable to equity shareholders of the Company		**6,436,997**	5,301,789
Non-controlling interest		**25,760**	33,935
TOTAL EQUITY		**6,462,757**	5,335,724

Notes to the financial statements

For the year ended December 31, 2021

1 General information and Basis of preparation of the financial statements

Simcere Pharmaceutical Group Limited (the "**Company**") was incorporated in Hong Kong on November 30, 2015 as a limited liability company with its registered office at 43/F, AIA Tower, 183 Electric Road, North Point, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on October 27, 2020. The Company is an investment holding company. The Company and its subsidiaries (together, "**the Group**") are principally engaged in the research and development, manufacturing and sales of pharmaceutical products as well as rendering promotion service of pharmaceutical products that are not manufactured by the Group.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

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

2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond June 30, 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are research and development, manufacturing and sales of pharmaceutical products as well as rendering promotion service of pharmaceutical products that are not manufactured by the Group.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of pharmaceutical products	**4,592,371**	4,229,788
Promotion service income	**407,347**	278,932
	4,999,718	4,508,720

The Group's revenue from contracts with customers was recognized at point in time for the year ended December 31, 2021.

The Group's customer base is diversified and nil (2020: nil) customers with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31, 2021.

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for goods such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an expected duration of one year or less.

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

HKFRS 8, Operating Segments, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because primarily all of its revenue was generated in the PRC and primarily all of its non-current operating assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

4 Other income and other net gain

(a) Other income

	2021	2020
	RMB'000	*RMB'000*
Government grants *(Note)*	**96,214**	88,647
Rental income	**17,350**	10,029
Property management income	**9,519**	4,847
Consulting and technology service income	**7,837**	3,369
Others	**18,590**	8,072
	149,510	114,964

Note:

During the year ended December 31, 2021, the Group received unconditional government grants of RMB57,687,000 (2020: RMB54,783,000) as rewards of the Group's contribution to technology innovation and regional economic development.

During the year ended December 31, 2021, the Group received conditional government grants of nil (2020: RMB9,886,000) as subsidies for plant relocation and construction and recognized such grants of RMB32,477,000 (2020: RMB32,384,000) in the consolidated statements of profit or loss when related conditions were satisfied. During the year ended December 31, 2021, the Group received conditional government grants of RMB8,189,000 (2020: RMB9,620,000) as encouragement of technology research and development and recognized such type of grants of RMB6,050,000 (2020: RMB1,480,000) in the consolidated statements of profit when related conditions were satisfied.

(b) Other net gain

	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange gain/(loss)	**116,009**	(46,228)
Net gain/(loss) on disposal of property, plant and equipment	**2,685**	(3,361)
Net realized (loss)/gains on trading securities	**(119)**	627
Net realized and unrealized gains on financial assets at fair value through profit or loss	**382,849**	464,309
Net gain on disposal of interest in associates	**—**	8,963
Net gain arising from fair value remeasurement of interest in associates	**314,456**	—
Net gain on disposal of interest in subsidiaries	**399,330**	1,552
Gain arising from business combination	**—**	1,762
Provision for penalty	**—**	(100,700)
	1,215,210	326,924

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	2021	2020
	RMB'000	*RMB'000*
Interest income from bank deposits	**(68,287)**	(26,118)
Interest income from loans to related parties	**—**	(130)
Finance income	**(68,287)**	(26,248)
Interest expenses on bank loans	**63,864**	133,559
Interest expenses on loans from related parties	**—**	298
Interest expenses on lease liabilities	**6,984**	9,253
Less: borrowing costs capitalized as construction in progress *(Note)*	**—**	(9,381)
Finance costs	**70,848**	133,729
Net finance costs	**2,561**	107,481

Note:

No borrowing cost has been capitalized for the year ended December 31, 2021. The borrowing costs for the year ended December 21, 2020 was capitalized at rate 4.35%.

(b) Staff costs

	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**1,332,940**	1,096,326
Contributions to defined contribution retirement plans	**69,769**	28,548
Equity settled share-based payment expenses	**62,392**	32,797
	1,465,101	1,157,671

(c) Other items

	2021	2020
	RMB'000	*RMB'000*
Cost of inventories recognized as expenses *(Note i)*	**763,015**	679,972
Depreciation charge		
— owned property, plant and equipment	**189,120**	158,634
— right-of-use assets	**45,270**	46,335
Amortization of intangible assets	**17,417**	17,360
Research and development costs *(Note ii)*	**1,416,721**	1,141,996
Provision for impairment losses on trade and other receivables	**15,828**	6,735
Auditors' remuneration		
— audit services	**4,000**	3,820
— non-audit services *(Note iii)*	**241**	4,520
Listing expenses	**—**	26,653

Notes:

(i) Cost of inventories recognized as expenses includes amounts relating to staff costs, depreciation and amortization expenses, provision for write-down of inventories, which are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

(ii) Research and development costs include amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

(iii) During the year ended December 31, 2020, the Group recognized auditors' remuneration for non-audit services in respect of initial public offering of RMB4,300,000, which is also included in the listing expenses disclosed separately above.

6 Income tax in the consolidated statements of profit or loss

Taxation in the consolidated statements of profit or loss represents:

	2021	2020
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax		
Provision for the year	**17,858**	50,215
Under/(over)-provision in respect of prior years	**4,791**	(4,158)
	22,649	46,057
Overseas Corporate Income Tax		
Provision for the year	**7,294**	—
Deferred tax		
Origination and reversal of temporary differences	**(127,067)**	94,744
Total income tax	**(97,124)**	140,801

Income tax for the PRC operations is charged at the statutory rate of 25% of the assessable profits under tax rules and regulations in the PRC. Certain PRC subsidiaries are subject to a preferential income tax of 15% under the relevant tax rules and regulations.

Taxation in other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

7 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	Exchange differences on translation of financial statements *RMB'000*	Financial assets at fair value through other comprehensive income — net movement in fair value reserves (non-recycling) *RMB'000*	Total *RMB'000*
For the year ended December 31, 2020			
Before-tax amount	(94,954)	248,328	153,374
Tax benefit	—	(37,041)	(37,041)
Net-of-tax amount	(94,954)	211,287	116,333
For the year ended December 31, 2021			
Before-tax amount	(59,356)	19,212	(40,144)
Tax expense	—	(2,840)	(2,840)
Net-of-tax amount	(59,356)	16,372	(42,984)

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,507,096,000 (2020: RMB669,534,000) and the weighted average of 2,608,641,618 ordinary shares (2020: 2,392,638,339 after adjusting the share issue by initial public offering of the Company on October 27, 2020) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares at January 1	**2,608,641,618**	2,345,117,618
Effect of shares issued by initial public offering	**—**	47,520,721
Effect of shares issued to Trustee	**5,844,000**	—
Effect of unvested shares under 2021 RSU Scheme	**(5,844,000)**	—
Weighted average number of ordinary shares at December 31	**2,608,641,618**	2,392,638,339

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,507,096,000 (2020: RMB669,534,000) and the weighted average of ordinary shares of 2,611,357,884 (2020: 2,392,638,339 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021	2020
Weighted average number of ordinary shares at 31 December	**2,608,641,618**	2,392,638,339
Effect of deemed issue of shares under the Company's 2021 RSU scheme for nil consideration	**2,716,266**	—
Weighted average number of ordinary shares (diluted) at December 31	**2,611,357,884**	2,392,638,339

9 Trade and bills receivables

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**2,017,320**	1,522,578
Bills receivable	**419,635**	369,275
	2,436,955	1,891,853
Less: loss allowance	**(38,188)**	(20,841)
	2,398,767	1,871,012

All of the trade and bills receivables are expected to be recovered within one year.

As at December 31, 2021, bills receivable of RMB80,786,000 were pledged for issuance of bills payable.

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**1,561,742**	1,379,987
Over 3 months but within 12 months	**831,220**	488,584
Over 12 months	**5,805**	2,441
	2,398,767	1,871,012

Trade and bills receivables are due within 30–90 days from the date of billing.

10 Cash and cash equivalents, pledged deposits, restricted deposits, and time deposits

(a) Cash and cash equivalents comprise:

	2021	2020
	RMB'000	*RMB'000*
Cash at bank	**973,139**	3,270,241

(b) Pledged deposits and restricted deposits comprise:

	2021	2020
	RMB'000	*RMB'000*
Pledged deposits for		
— issuance of letter of guarantee	**1,580**	1,777
— bank loans	**—**	915,600
	1,580	917,377

	2021	2020
	RMB'000	*RMB'000*
Restricted deposits for		
— research and development projects	**4,005**	3

(c) Time deposits comprise:

	2021	2020
	RMB'000	*RMB'000*
Current Portion	**1,210,078**	—
Non-current Portion	**410,000**	—
	1,620,078	—

11 Bank loans

The maturity profile for the interest-bearing bank loans of the Group at the end of each reporting period is as follows:

	2021	2020
	RMB'000	*RMB'000*
Short-term bank loans	**991,571**	1,560,740
Current portion of long-term bank loans	**538,514**	232,200
Within 1 year or on demand	**1,530,085**	1,792,940
After 1 year but within 2 years	**—**	1,231,450
After 2 years but within 5 years	**—**	44,100
	—	1,275,550
	1,530,085	3,068,490

The bank loans were secured as follows:

	2021	2020
	RMB'000	*RMB'000*
Bank loans		
— Secured	**1,134,596**	1,992,450
— Unsecured	**395,489**	1,076,040
	1,530,085	3,068,490

12 Trade and bills payables

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**256,131**	115,462
Bills payable	**67,820**	126,615
	323,951	242,077

As of the end of the reporting period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**252,556**	191,610
3 to 12 months	**70,567**	48,617
Over 12 months	**828**	1,850
	323,951	242,077

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

13 Other payables and accruals

	2021	2020
	RMB'000	*RMB'000*
Accrued expenses *(Note i)*	**546,992**	719,708
Contract liabilities *(Note ii)*	**26,140**	18,762
Payable for employee reimbursements	**105,691**	139,552
Payables for staff related costs	**279,064**	235,162
Payables for purchase of property, plant and equipment	**35,334**	58,469
Other tax payables	**76,667**	60,950
Others	**92,126**	90,740
	1,162,014	1,323,343

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

Notes:

(i) Accrued expenses primarily comprise marketing and promotion expenses, research and development costs and other expenses.

(ii) Contract liabilities represent customers' advances received for goods that have not yet been transferred to the customers.

14 Dividends

(i) Dividend payable to equity shareholders of the Company attribute to the year:

	2021	2020
	RMB'000	*RMB'000*
Dividends proposed after the end of the reporting period of RMB0.15 per ordinary share (2020: RMB0.15 per ordinary share)	**394,244**	391,296

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years, declared and approved during the year:

	2021	2020
	RMB'000	*RMB'000*
Dividends in respect of previous financial year approved and paid during the year, of RMB0.15 per share (2020: nil)	**391,296**	—

By order of the Board of
Simcere Pharmaceutical Group Limited
Mr. Ren Jinsheng
Chairman and executive Director

Hong Kong, March 24, 2022

As at the date of this announcement, the Board comprises Mr. REN Jinsheng as the Chairman and executive Director, Mr. WAN Yushan and Mr. TANG Renhong as the executive Directors; Mr. ZHAO John Huan as the non-executive Director; and Mr. SONG Ruilin, Mr. WANG Jianguo and Mr. WANG Xinhua as the independent non-executive Directors.