CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020	2019	Change
	RMB'000	*RMB'000*	
Revenue by business units:			
Finished drugs	**20,404,678**	17,937,001	13.8%
Bulk products			
— Vitamin C	**1,859,272**	1,921,704	-3.2%
— Antibiotics and others	**1,372,639**	1,052,318	30.4%
Functional food and others	**1,305,615**	1,192,169	9.5%
Total revenue	**24,942,204**	22,103,192	12.8%
Gross profit	**18,685,322**	15,910,981	17.4%
Profit attributable to shareholders	**5,159,655**	3,714,106	38.9%
	RMB cents	*RMB cents* (Restated)	
Basic earnings per share *(Note)*	**43.16**	31.07	38.9%

The Board of Directors recommends a final dividend of HK9 cents per share for 2020.

Note: The weighted average number of ordinary shares for the calculation of basis earnings per share has been adjusted for the effects of the bonus issues on 3 July 2020 and 29 October 2020.

RESULTS

For the year ended 31 December 2020, the Group's revenue increased 12.8% to RMB24,942 million, profit attributable to shareholders increased 38.9% to RMB5,160 million. Basic earnings per share increased similarly to RMB43.16 cents.

DIVIDEND

The Board of Directors recommends a final dividend of HK9 cents per share for 2020. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable on 11 June 2021 to shareholders whose names appear on the register of members of the Company on 28 May 2021. An interim dividend of HK6 cents (equivalent to HK3.75 cents if adjusted for the effect of issuing bonus shares on 29 October 2020) per share for 2020 has been paid on 9 October 2020.

INDUSTRY REVIEW

Various policies with far-reaching implications have been promulgated in 2020 to regulate the development of the pharmaceutical industry. The "Opinions of the CPC Central Committee and the State Council on Deepening the Reform of Medical Insurance System" released on February 25 formulates the top-level planning of healthcare reform and further deepens the healthcare reform for the purpose of achieving a more mature and well-established healthcare security system, setting out the overall reform objectives and measures for the establishment of the medical insurance system in the next five to ten years.

Following the successful implementation of the second and third batches of the nationwide centralised procurement during the year, the fourth batch was completed in February 2021. The policy of consistency evaluation of generic drugs was formally extended to injectable formulation in May, which will further drive enterprises to improve drug quality and set a foundation for the gradual inclusion of injectable formulation products into the scope of centralised procurement. The policy of centralised procurement of medicines has become normalized and institutionalized, and is able to reduce the burden on patients as well as on the medical insurance fund, while at the same time it takes into consideration the reasonable profit of enterprises, promotes industry concentration and encourages product innovation and upgrading.

The national reimbursement drug list adjustment in 2020 has introduced innovative policies of allowing enterprises to submit applications, and for the first time including products with higher sales amount for medical insurance basis negotiation. The dynamic adjustment of the national reimbursement drug list each year will greatly accelerate the inclusion of innovative drugs in the list and expedite the process of commercialisation. The ongoing reform of the medical insurance payment methods including pilot trial of Diagnosis Related Groups (DRGs) and Diagnosis-Intervention Packet (DIP) will generate a positive effect on improving the structure of drugs for clinical application, reducing the burden of patients and enhancing the accessibility of medication.

The introduction of these major healthcare reform policies has undoubtedly created significant impact to the pharmaceutical industry and greatly facilitated the reshuffle of the industry. The intensified competition for the survival of the fittest will lead to the emergence of outstanding companies, with the strongest remaining strong and the weakest exiting. With its strong professional market development capabilities, comprehensive management system, excellent corporate culture and sustained R&D capability of innovation, the Group has turned into a leading company in the industry and is moving to become the industry's benchmark.

BUSINESS REVIEW

In 2020, the novel coronavirus pandemic sweeping the world has cast a shadow over human health and the world economy, and the China's pharmaceutical industry has also faced unprecedented challenges. The Group has risen to the challenges and achieved remarkable growth under the difficult environment. Innovative drug products continued to maintain rapid growth with key products such as NBP, Duomeisu, Jinyouli and Keaili achieving remarkable sales results once again. More than 150 medical research projects have been conducted cumulatively for NBP, providing strong support for its market penetration and continuous growth. The price reduction of NBP resulting from the medical insurance negotiation during the year will significantly improve accessibility and affordability, benefiting more patients and driving sales volume growth with further market penetration and online sales growth. The coverage in target hospitals of oncology drugs has further been enhanced with efforts put on continuous gaining of market access, increasing in investment in academic-based promotion and expanding professional sales force. The wining of Keaili at the second round of national centralised procurement tender with the lowest price and inclusion into the national reimbursement drug list has greatly facilitated channel penetration and accelerate volume growth. For common generic drug products, Encun (clopidogrel bisulfate tablets), which won the centralised procurement tender, has rapidly established a presence in hospital market and become a new growth point, demonstrating the development advantages of the Group's economy of scale and rich product series in common generic drug products. The rapid sales growth of the newly launched products such as Daxinning (dronedarone hydrochloride tablets), Shuanling (pentoxifylline injection and tablets) and Enxi (pramipexole hydrochloride tablets) have provided further momentum to the Group's growth. The fourth batch of the reasonably-priced, tender-winning products, namely esomeprazole magnesium enteric-coated capsules, ibuprofen tablets, duloxetine hydrochloride enteric capsules, bortezomib for injection, pramipexole dihydrochloride tablets and norfloxacin tablets, will be quickly adopted by hospitals creating new source of profit growth.

The clinical development of products and indications has made good progress in 2020. Since the beginning of the year, 17 products have been granted drug registration approval, 14 products granted clinical trial approval and 24 products have passed the consistency evaluation of generic drugs. The marketing application of key product mitoxantrone hydrochloride liposome injection (new preparation) has been granted priority review and has passed the production on-site inspection and clinical trial examination; Duvelisib (innovative drug) has completed patient enrolment for its bridging study in China, and its marketing application has been filed; marketing application of amphotericin B liposome has been filed; progress of clinical trials of irinotecan liposome was smooth, and its marketing application is expected to be filed soon. Over the past three years, the Group has continued to increase investment in R&D, with a compound growth rate of 46.7% for its R&D expenses. As the R&D pipeline continues to grow, the development of clinical research has accelerated significantly, patients enrolled in trials are growing at multiples, with a lot of useful clinical trial data available. With the continued increase in R&D expenses, it is believed that the products and indications under the R&D pipeline layout will be more diversified. The Group has also developed dozens of new indications in several major therapeutic areas, expecting a number of new drugs to be approved for marketing in the next three years.

OUTLOOK

Looking forward, the Group will continue to focus on the following three aspects:

1. Strengthening the ability to develop the commercialized market

While the scale of the sales team continues to expand, the management capability of the sales team will also be raised to a new level and height through the introduction of advanced behavioural and performance management tools in the industry. Through equity incentive for the marketing backbone officers, the team's work enthusiasm and team cohesion are greatly enhanced. We strive to achieve industry-leading market share for each core product in the sales product pipeline.

Leveraging on the good marketing base of our sales team, we will continue to improve our market access capabilities, rapidly expand the market and grow rapidly upon the approval of new products, so that patients can benefit as soon as possible. In turn, with the continuous improvement in sales capacity, the Group will maintain continuous and stable growth in its performance and continue to create value and solid growth in investment returns for our shareholders.

2. Enhancing R&D innovation capability and efficiency

We will continue to invest more in R&D and BD, and increase the introduction and training of high-end talents in the area of R&D. With the advantage of the Group's national first-class R&D team, and R&D centres in Beijing, Shanghai and Shijiazhuang in China as well as in California and New Jersey in the United States, we will accelerate the progress of 300 new products under development and will focus on promoting 15 strategic products including small molecule and large molecule innovative drugs and new formulations to the market as soon as possible.

The product layout of the R&D pipeline will focus on the originality of cutting-edge science and technology including targeted, new technology and novel therapies, meeting the needs of clinical demands and providing innovative solutions for doctors and patients. We will continue to meet clinical needs by actively expanding our therapeutic product areas and conducting clinical trials targeting major diseases with high morbidity rates. The Group currently has a leading domestic and world-class R&D platform for new nano formulations, and we will continue to market product development of special formulations with outstanding clinical efficacy.

In addition to the rapid development of our own research and development pipeline, we will also focus on enhancing our BD work capability and leveraging on our own commercialization strengths to supplement our product line, expand indications and introduce cutting-edge technology platforms as our major direction, as well as to seek global partners, introduce new products and technologies, and grow together with our partners.

The Group will adhere to an innovative research and development strategy, continue to increase investment in research and development, maintain the ratio of research and development expenses to sales revenue at over 10%, and have new and major products approved for launch every year, providing a product pipeline for sustained revenue growth and performance growth.

3. Accelerating the process of internationalization

The Group will continue to expand the international market and international cooperation vigorously while setting a strong foundation in the China market. By introducing new products, new technologies and high-end talents through international research and development partners and the mutual benefacting product licensing and transfer of interests with international partners, we will expand our sources of income and increase our total revenue from international business.

The Group will continue to focus on the international registration of new products and the development and sales of international markets, so as to establish the brand name of CSPC in the international market and enhance the Group's international position in the industry.

APPRECIATION

I would like to take this opportunity to express my gratitude to all staff for their dedication and hard work, and to all our shareholders and customers for their continued support.

RESULTS

The Board of Directors of CSPC Pharmaceutical Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Revenue	*3*	**24,942,204**	22,103,192
Cost of sales		**(6,256,882)**	(6,192,211)
Gross profit		**18,685,322**	15,910,981
Other income		**264,736**	243,783
Other gains or losses		**376,816**	48,450
Selling and distribution expenses		**(9,377,620)**	(8,712,083)
Administrative expenses		**(945,713)**	(748,509)
Research and development expenses		**(2,889,837)**	(2,000,426)
Other expenses		**(57,036)**	(142,015)
Share of results of associates		**(20,917)**	—
Share of results of joint ventures		**34,449**	58,407
Gain on deemed disposal of partial interest in an associate		**37,192**	—
Gain on disposal of subsidiaries		**314,901**	—
Loss on deemed disposal of a subsidiary		**(19,038)**	—
Finance costs		**(12,232)**	(32,426)
Profit before tax		**6,391,023**	4,626,162
Income tax expense	*5*	**(1,162,013)**	(892,810)
Profit for the year	*4*	**5,229,010**	3,733,352
Profit for the year attributable to:			
Owners of the Company		**5,159,655**	3,714,106
Non-controlling interests		**69,355**	19,246
		5,229,010	3,733,352
		RMB cents	*RMB cents* (Restated)
Earnings per share			
— Basic	*6*	**43.16**	31.07
— Diluted	*6*	**43.16**	31.07

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**5,229,010**	3,733,352
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value gain on financial assets measured at fair value through other comprehensive income, net of income tax	**240,898**	184,227
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(9,340)**	(24,503)
Other comprehensive income for the year, net of income tax	**231,558**	159,724
Total comprehensive income for the year	**5,460,568**	3,893,076
Total comprehensive income for the year attributable to:		
Owners of the Company	**5,391,213**	3,873,830
Non-controlling interests	**69,355**	19,246
	5,460,568	3,893,076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment		**7,770,442**	8,459,176
Right-of-use assets		**1,163,898**	823,202
Investment property		**35,406**	—
Goodwill		**149,983**	188,964
Other intangible assets		**508,742**	1,135,662
Interests in associates		**571,640**	231,135
Interests in joint ventures		**261,546**	176,639
Amounts due from joint ventures		**757,331**	150,432
Other financial assets		**1,877,024**	1,077,932
Deferred tax assets		**117,471**	34,843
Deposits, prepayments and other receivables	*9*	**505,356**	343,380
Bank deposits		**430,000**	—
		14,148,839	12,621,365
Current assets			
Inventories		**1,861,066**	2,535,743
Trade receivables	*8*	**2,398,859**	2,258,844
Deposits, prepayments and other receivables	*9*	**484,289**	567,252
Bills receivables	*10*	**1,989,549**	1,993,083
Amounts due from related companies		**144,260**	140,183
Amount due from an associate		**82,428**	—
Amounts due from joint ventures		**129,680**	58,628
Other financial assets		**—**	536
Structured bank deposits		**1,535,207**	1,838,159
Restricted bank deposits		**36,571**	186,293
Bank balances and cash		**7,259,458**	4,118,236
		15,921,367	13,696,957

	Notes	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Current liabilities			
Trade payables	*11*	**1,204,566**	1,110,883
Other payables	*12*	**3,554,759**	3,691,652
Contract liabilities		**625,699**	503,755
Bills payables	*13*	**37,000**	316,137
Contingent consideration payable		**24,346**	18,130
Amounts due to related companies		**13,168**	10,854
Amount due to an associate		**—**	124,627
Amounts due to joint ventures		**239,630**	104,678
Lease liabilities		**124,835**	74,235
Tax liabilities		**378,839**	258,823
Borrowing		**99,000**	23,000
		6,301,842	6,236,774
Net current assets		**9,619,525**	7,460,183
Total assets less current liabilities		**23,768,364**	20,081,548
Non-current liabilities			
Other payables	*12*	**253,968**	154,733
Contingent consideration payable		**—**	13,923
Lease liabilities		**92,879**	90,300
Deferred tax liabilities		**320,444**	304,427
		667,291	563,383
Net assets		**23,101,073**	19,518,165
Capital and reserves			
Share capital		**10,899,412**	10,899,412
Reserves		**11,432,876**	7,562,311
Equity attributable to owners of the Company		**22,332,288**	18,461,723
Non-controlling interests		**768,785**	1,056,442
Total equity		**23,101,073**	19,518,165

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of 2020 annual results does not constitute the Company's statutory annual consolidated financial statements for those years 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 Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2020 in due course.

- The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2020 and 2019. The auditor's reports for both years 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 Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of New and Amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the above amendments in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or the disclosures set out in these consolidated financial statements.

Except for the amendments to HKFRSs mentioned below, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the above amendments is not expected to have significant impact on the financial position and performance of the Group.

3. Revenue and Segment Information

	2020	2019
	RMB'000	*RMB'000*
Sale of goods	**24,942,204**	22,103,192

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

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

(a) Finished drugs — research and development, manufacture and sale of pharmaceutical products;

(b) Bulk products — manufacture and sale of vitamin C, antibiotic and other products in bulk powder form; and

(c) Functional food and others — manufacture and sale of functional food products (including caffeine additives and vitamin supplements), provision of healthcare services and others.

Glucose products were included in the segments of "Functional Food and Others" in prior years. In the current year, as the Directors consider it is more appropriate to classify glucose products within bulk products in view of its nature and thus Glucose products are included in the segment of antibiotics and others under "Bulk Products" for the current year. The comparative information has been restated to conform with current year's presentation.

Revenue is recognised at a point of time upon control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

The transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

As at 31 December 2020 and 2019, all outstanding sales contracts are expected to be fulfilled within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment revenues and results

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

For the year ended 31 December 2020:

		Bulk products		Functional			
	Finished drugs	Vitamin C	Antibiotics and others	food and others	Segment total	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE							
External sales	**20,404,678**	**1,859,272**	**1,372,639**	**1,305,615**	**24,942,204**	**—**	**24,942,204**
Inter-segment sales	**—**	**6,739**	**115,707**	**15,106**	**137,552**	**(137,552)**	**—**
TOTAL REVENUE	**20,404,678**	**1,866,011**	**1,488,346**	**1,320,721**	**25,079,756**	**(137,552)**	**24,942,204**
SEGMENT PROFIT	**4,814,309**	**333,009**	**119,869**	**275,160**	**5,542,347**		**5,542,347**
Unallocated income							**703,535**
Unallocated expenses							**(189,214)**
Share of results of associates							**(20,917)**
Share of results of joint ventures							**34,449**
Gain on deemed disposal of partial interest in an associate							**37,192**
Gain on disposal of subsidiaries							**314,901**
Loss on deemed disposal of a subsidiary							**(19,038)**
Finance costs							**(12,232)**
Profit before tax							**6,391,023**

For the year ended 31 December 2019:

	Finished drugs *RMB'000*	Bulk products		Functional food and others *RMB'000* (Restated)	Segment total *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
		Vitamin C *RMB'000*	Antibiotics and others *RMB'000* (Restated)				
SEGMENT REVENUE							
External sales	17,937,001	1,921,704	1,052,318	1,192,169	22,103,192	—	22,103,192
Inter-segment sales	—	5,446	121,320	5,214	131,980	(131,980)	—
TOTAL REVENUE	17,937,001	1,927,150	1,173,638	1,197,383	22,235,172	(131,980)	22,103,192
SEGMENT PROFIT	3,943,808	391,271	15,999	252,095	4,603,173		4,603,173
Unallocated income							149,111
Unallocated expenses							(152,103)
Share of results of joint ventures							58,407
Finance costs							(32,426)
Profit before tax							4,626,162

Segment profit represents the profit earned by each segment without allocation of interest income, fair value changes on structured bank deposits, fair value changes on financial assets measured at fair value through profit or loss, finance costs, central administrative expenses, share of results of associates and joint ventures, gain on deemed disposal of partial interest in an associate, gain on disposal of subsidiaries, loss on deemed disposal of partial interest in a joint venture and loss on deemed disposal of a subsidiary. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities are not regularly provided to the CODM for review.

Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location of customers:

	2020 ***RMB'000***	2019 *RMB'000*
The People's Republic of China (the "PRC") (country of domicile)	**21,615,773**	18,897,453
Other Asian regions	**872,244**	1,045,038
Americas	**1,252,436**	974,937
Europe	**987,194**	1,093,405
Others	**214,557**	92,359
	24,942,204	22,103,192

The Group's operations are substantially based in the PRC and majority of the Group's non-current assets are located in the PRC. Therefore, no further analysis of geographical information is presented.

None of the Group's customers contributed over 10% of the total revenue of the Group for both years.

4. Profit For The Year

	2020	2019
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' and chief executive's remuneration		
— salaries, wages and other benefits	**2,771,548**	1,912,253
— contribution to retirement benefit schemes	**97,128**	142,693
— shared-based payment expense	**9,126**	6,721
Total staff costs	**2,877,802**	2,061,667
Amortisation of other intangible assets	**15,121**	17,954
Depreciation of right-of-use assets	**120,713**	85,749
Depreciation of property, plant and equipment	**671,254**	587,892
Depreciation of investment property	**1,719**	—
Total depreciation and amortisation	**808,807**	691,595
Auditor's remuneration		
— audit services	**4,217**	3,872
— non-audit services	**4,860**	1,200
Government grant income (included in other income)	**(111,606)**	(135,748)
Impairment loss of prepayment for acquisition of intangible asset (included in other expenses)	**—**	100,000
Interest income on bank balances (included in other income)	**(102,820)**	(64,740)
Fair value changes on financial assets measured at fair value through profit or loss (included in other gains or losses)	**(531,097)**	—
Fair value changes on structured bank deposits (included in other gains or losses)	**(57,705)**	(84,371)
Fair value change on contingent consideration payable (included in other gains or losses)	**10,423**	12,728
Loss on disposal of property, plant and equipment (included in other gains or losses)	**12,386**	15,161
Net foreign exchange loss (gain) (included in other gains or losses)	**127,465**	(18,563)
Loss on deemed disposal of partial interest in a joint venture (included in other gains or losses)	**—**	17,235
Impairment losses recognised under expected credit loss model, net of reversal (included in other gains or losses)	**38,120**	13,392

Note: Cost of inventories recognised as an expense approximated cost of sales as shown in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2020 and 2019.

5. Income Tax Expense

	2020	2019
	RMB'000	*RMB'000*
Current taxation:		
— PRC Enterprise Income Tax	**1,039,914**	786,220
— PRC withholding tax on dividends distributed by subsidiaries	**136,419**	94,815
— United States of America ("USA") Federal and State Income tax	**4,714**	3,148
	1,181,047	884,183
Deferred taxation	**(19,034)**	8,627
	1,162,013	892,810

The calculation of Hong Kong Profits Tax for the Company and its subsidiaries incorporated in Hong Kong is based on the prevailing tax rates in Hong Kong. No Hong Kong Profits Tax has been recognised as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both years.

The basic tax rate of the Company's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law. Certain subsidiaries of the Company are qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15%.

The calculation of USA Federal and State Income Tax is based on the prevailing tax rates in the USA.

6. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**5,159,655**	3,714,106

Number of shares	**2020**	2019
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**11,954,570**	11,954,967
Effect of dilutive potential ordinary shares:		
Unvested shares under share award scheme	**967**	917
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**11,955,537**	11,955,884

The weighted average number of ordinary shares for the calculation of earnings per share for both years has been adjusted for the effect of the bonus issues on 3 July 2020 and 29 October 2020, and the shares held by the trustee pursuant to the share award scheme.

The computation of diluted earnings per share does not assume the exercise of a subsidiary's share options since their assumed exercise would result in an increase in earnings per share.

7. Dividends

	2020	2019
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim, paid — HK6 cents (equivalent to approximately RMB5.3 cents) (2019: nil) per share	**395,134**	—
2019 Final, paid — HK20 cents (equivalent to approximately RMB18.2 cents) (2019: 2018 Final, paid — HK18 cents (equivalent to approximately RMB15.5 cents)) per share	**1,135,014**	966,935
Less: Dividend for shares held by share award scheme	**(2,454)**	(1,550)
	1,527,694	965,385

8. Trade Receivables

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**2,421,295**	2,273,530
Less: allowance for impairment	**(22,436)**	(14,686)
	2,398,859	2,258,844

The Group allows a general credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for impairment) at the end of the reporting period presented based on the invoice dates which approximated the respective revenue recognition dates:

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**2,209,401**	2,124,588
91 to 180 days	**176,777**	125,010
181 to 365 days	**11,281**	2,830
More than 365 days	**1,400**	6,416
	2,398,859	2,258,844

Trade receivables with aggregate carrying amount of RMB189,458,000 (2019: RMB134,256,000) are past due as at the reporting date. The amounts are not considered as in default because there has not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it has a legal right of offset against any amounts owed by the Group to the counterparty.

9. Deposits, Prepayments and Other Receivables

	2020	2019
	RMB'000	*RMB'000*
Prepayments	**90,098**	180,930
Deposits paid for property, plant and equipments and right-of-use assets	**461,437**	343,380
Consideration receivable for disposal of a subsidiary	**150,914**	—
Other taxes recoverable	**134,215**	131,778
Others	**152,981**	254,544
	989,645	910,632
Analysed as:		
Current	**484,289**	567,252
Non-current	**505,356**	343,380
	989,645	910,632

10. Bills Receivables

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 365 days (2019: less than 365 days) and not yet due at the end of the reporting period. The management considers the default rate is low based on historical information, experience and forward looking information that is available without undue cost or effort.

11. Trade Payables

The following is an aged analysis of trade payables at the end of the reporting period presented based on the invoice dates:

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**1,011,690**	941,700
91 to 180 days	**39,574**	34,626
More than 180 days	**153,302**	134,557
	1,204,566	1,110,883

The general credit period on purchases of goods is up to 90 days (2019: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. Other Payables

	2020	2019
	RMB'000	*RMB'000*
Other taxes payable	**131,291**	118,071
Selling expense payable	**1,912,702**	1,558,936
Payables arising from construction cost and acquisition of property, plant and equipment	**848,242**	1,083,551
Government grants	**373,442**	359,841
Salaries, wages and staff welfare payable	**254,590**	217,813
Others	**288,460**	508,173
	3,808,727	3,846,385

	2020	2019
	RMB'000	*RMB'000*
Analysed as:		
Current	**3,554,759**	3,691,652
Non-current	**253,968**	154,733
	3,808,727	3,846,385

13. Bills Payables

All bills payables of the Group are aged within 365 days (2019: 365 days) and not yet due at the end of the reporting period. As at 31 December 2020, bills payables of nil (2019: RMB198,649,000) are secured by certain structured bank deposits.

BUSINESS REVIEW

With the outbreak of COVID-19 pandemic in early 2020, hospital visit rate dropped sharply and market activities were disrupted during the first quarter of 2020, making a negative impact on the operation. The Group reduced the impact of the pandemic on sales through active promotion of online academic meetings and flexible sales strategies. Since the beginning of the second quarter, benefited from the strong and effective control measures by the government, the pandemic in China has been gradually brought under control, hospital visit rate has recovered and various marketing activities have resumed. The overall operation of the Group has returned to normal and maintained a sustained growth of 12.8% in revenue for the year.

In 2020, the operating results of the Group maintained a steady growth trend. With various measures such as professional academic-based promotion, hospital development, lower-tier market penetration, clinical application extension and professional sales force expansion, major finished drug products were able to sustain rapid growth, and market coverage was further enhanced (reaching medical institutions of various levels in city, county, town and community). During the year, market development of several newly launched products was also carried out smoothly, which have brought in new drives for sales growth and further facilitated a more balanced and reasonable product mix of the finished drugs.

Good progress has also been made in respect of R&D:

1) Obtained drug registration approvals for rivaroxaban tablets, montelukast sodium tablets, montelukast sodium chewable tablets, ornithine aspartate injection, bortezomib for injection, celecoxib capsules, acarbose tablets, memantine hydrochloride tablets, duloxetine hydrochloride enteric capsules, dasatinib tablets, esomeprazole magnesium enteric-coated capsules, nintedanib esilate soft capsules and entecavir tablets in China;

2) Obtained ANDA approval for omega-3-acid ethyl esters 90 soft capsules, esomeprazole magnesium enteric-coated capsules, paliperidone extended-release tablets and paroxetine hydrochloride enteric-coated sustained-release tablets in the U.S.;

3) New drug marketing application for mitoxantrone hydrochloride liposome injection (new preparation) in China was accepted and granted priority review, and production on-site inspection and clinical trial examination passed;

4) Completed patient enrolment for the bridging study of Duvelisib (innovative drug) in China, and its marketing application has been filed and granted priority review;

5) Marketing application of amphotericin B liposome has been filed;

6) Passed the assessment and public notice of the application of Jinyouli and its related technology for the Second Prize of State Scientific and Technological Progress Award;

7) Obtained clinical trial approval for irinotecan liposome injection (for treating pancreatic cancer, breast cancer and small cell lung cancer), docetaxel for injection (albumin-bound), SYHA1805 tablets, SYHA1815 tablets, recombinant anti-IgE monoclonal antibody for injection, ALMB-0168, ALMB-0166, amphotericin B liposome for injection, butylphthalide injection and SYHA1813 oral solutions in China; obtained clinical trial approval for ALMB-0168 in Australia; as well as clinical trial approval for docetaxel for injection (albumin-bound), Y150 (CD38/CD3 bispecific antibody) and NBL-012 (fully human IL23/P19 monoclonal antibody) the U.S.; and

8) 27 generic drug products (42 specifications) have passed or been deemed to have passed the consistency of quality and efficacy evaluation of generic drugs.

Finished Drug Business

The finished drug business recorded sales of RMB20,405 million in 2020, representing an increase of 13.8% over last year. The sales performance of products by major therapeutic area is as follows.

Nervous System Disease Products

Major products include NBP(恩必普)(butylphthalide soft capsules and butylphthalide and sodium chloride injection), Oulaining(歐來寧)(oxiracetam capsules and oxiracetam for injection), Shuanling(舒安靈)(pentoxifylline extended-release tablets and pentoxifylline injection) and Enxi(恩悉)(pramipexole dihydrochloride tablets).

NBP is a Class 1 new chemical drug in China and a patent-protected exclusive product mainly used for the treatment of acute ischemic stroke. Its efficacy has been widely recognised with its being listed as the recommended drugs in multiple editions of "Guidelines for Acute Ischemic Stroke Treatment in China" of Chinese Medical Association as well as in more than ten domestic authoritative clinical guidelines and expert consensuses. Both formulations of NBP are national reimbursement drugs, which are favourable for the promotion of sequential treatment (injection for emergency use and soft capsules for recovery use). Butylphthalide has been strengthening its clinical evidence while actively exploring new therapeutic areas, with currently 155 research projects in progress. In particular, the overall progress of the clinical trials of butylphthalide soft capsules for the treatment of vascular dementia is smooth with patient enrolment under way. The phase II clinical trial of butylphthalide soft capsules in the U.S. has completed patient enrolment ahead of schedule due to the pandemic and is in the process of data analysis. The development of new indications and markets will be able to bring new growth opportunities following the expiry of the butylphthalide patent. In December 2020, both formulations of butylphthalide have successfully passed the price negotiation of the national reimbursement drug list. The corresponding price reduction can significantly improve the accessibility of the product and stimulate market demand, leading to rapid growth in sales volume. The price reduction may put certain pressure on the product sales for a short period of time, but it may also accelerate the product's access to hospitals and resolve the risks associated with being selected for national and provincial centralized procurement catalog. The Group will constantly strive to penetrate lower-tier markets, increase user coverage and benefit more patients.

Oulaining is mainly used for the treatment of mild to moderate memory and mental impairment resulting from vascular dementia, senile dementia and brain trauma. In 2019, the promulgation of the National Key Drug List for Monitoring and Prescription Control and removal from the provincial supplementary reimbursement catalog had significant impact on the sales of Oulaining. Nevertheless, Oulaining has been marketed in China for over 17 years and has also been included in a number of authoritative guidelines, having a relatively large user base of doctors and patients. The Group adopted a combined sales model with direct and cooperative sales during the year, strengthened control over each level of end-user market and increased efforts in academic-based promotion, striving to achieve stable sales of Oulaining within its reasonable scope of use.

Shuanling is mainly used for the treatment of cerebrovascular diseases, peripheral vascular disease, diabetes complications, and is recommended by various domestic and foreign clinical medication guidelines. Upon the adjustment of the national reimbursement drug list and promulgation of the National Key Drug List for Monitoring and Prescription Control, the medical reimbursement for numerous blood vessels dilating and microcirculation improvement drugs have been restricted, providing a great opportunity for pentoxifylline to become an alternative drug for more market share. In 2020, through the establishment of a dedicated sales team and increased hospital development, the Group has achieved rapid sales growth, with a market coverage of over 1,300 hospitals.

Enxi is the first product launched by the Group for the therapeutic area of Pakinson's disease. It is the first and currently the only product of pramipexole dihydrochloride tablets that has passed the consistency evaluation in China. Since launch in April this year, Enxi has successfully registered for online tender in over 20 provinces across the country and has developed more than 900 tiered-hospitals.

In 2020, nervous system disease products recorded sales of RMB7,414 million, representing a year-on-year increase of 1.5%. Among which the sales of NBP increased by 17.4% and the sales of Oulaining decreased by 63.6%.

Oncology products

Major products include Duomeisu (多美素) (doxorubicin hydrochloride liposome injection), Jinyouli (津優力) (PEG-rhGCSF injection) and Keaili (克艾力) (paclitaxel for injection (albumin-bound).

Duomeisu was developed by the "National Key Laboratory for New Pharmaceutical Preparations and Excipients" of the Group and supported by the "Major New Drug Development" projects in China. It has been recommended by the U.S. "National Comprehensive Cancer Network (NCCN) Guidelines" for the first-line treatment of lymphoma, ovarian cancer, relapsed or metastatic breast cancer, soft tissue sarcoma and AIDS-related Kaposi sarcoma. Duomeisu has considerable advantages in terms of efficacy and safety (especially cardiac safety of patients) as compared to traditional anthracyclines. On the basis of strengthening the existing sales areas such as haematological cancer, breast cancer, gynecologic cancer and bone cancer, the Group will continue to explore new areas such as leukemia, liver cancer, bladder cancer, lung cancer and gastric cancer, with an aim of sustaining a steady and continuous sales growth of Duomeisu.

Jinyouli is the first long-acting white blood cell booster drug in China. It is used to decrease the incidence of infection and pyrexia due to low neutrophil count in patients during chemotherapy, thus ensuring the administration of standardised dosage of chemotherapy. Jinyouli is well supported by clinical evidence with its phase IV clinical study having the largest sample size in respect of clinical study of long-acting granulocyte stimulating factor in China, covering lung cancer, breast cancer, lymphoma, ovarian cancer, colorectal cancer and gastric cancer, earning unanimous recommendations from domestic and foreign guidelines. In addition to existing therapeutic areas, the Group will further expand into areas such as head and neck cancer and genitourinary cancer and constantly explore application opportunities in immunotherapy, concurrent chemoradiotherapy and childhood acute lymphoblastic leukemia in order to promote the leading position of Jinyouli in the long-acting white blood cell booster market.

Keaili is the first-to-market generic of new generation of paclitaxel chemotherapy drug in China with the consistency evaluation passed. It is made of stable nanoparticles formed by the integration of paclitaxel and human serum albumin (endogenous). The product has the distinctive features of convenience, high efficacy and safety. It can enhance the efficacy of paclitaxel drugs and is convenient to use. Solvents with strong side effects and pre-treatment are not required and administration only takes 30 minutes. The clinical trials and medical projects conducted since the launch of Keaili have generated phased achievement for various cancers. 6 articles have been published in "Science Citation Index (SCI)" and domestic core journals and 5 articles have been published at conferences such as CSCO, ESMO-ASIA and ASCO. It also assisted in formulating a guideline for pancreatic cancer. In addition to consolidating the existing therapeutic areas in breast cancer, lung cancer and gynecologic cancer, the Group will constantly extend into new fields such as gastric cancer, esophageal cancer as well as head and neck cancer. In early 2020, Keaili won the national centralized procurement tender with the lowest price and was successfully included into the national reimbursement drug list (new version) at the end of the year. By leveraging on the policy advantage, the Group will put effort in covering all cancer types, hospital development and market penetration, and continue to adopt the strategy of professional academic-based promotion in order to achieve rapid sales growth for Keaili.

In 2020, oncology products recorded sales of RMB6,294 million, representing a year-on-year increase of 29.0%. Among which the sales of Keaili, Jinyouli and Duomeisu increased by 16.4%, 37.3% and 41.3% respectively.

Anti-infective products

Major products include Shuluoke (舒羅克) (meropenem for injection), Nuomoling (諾莫靈) (amoxicillin capsules), Xianqu/Shiyao (先曲／石藥) (ceftriaxone sodium for injection), Zhongnuo Lixin (中諾立新) (cefuroxime sodium for injection), Xinweihong (新維宏) (azithromycin tablets) and Weihong (維宏) (azithromycin dispersible tablets/capsules/enteric tablets).

Affected by the restrictive use of antibiotics policy, the market of anti-infective products was relatively weak. In addition, the adoption of infection prevention measures to fight the pandemic by the general public during the year has led to a significant drop in the number of influenza and other infectious diseases cases, and the demand for related medicines has also decreased accordingly. In 2020, anti-infective products recorded sales of RMB2,708 million, representing a year-on-year decrease of 7.9%.

Cardiovascular disease products

Major products include Xuanning (玄寧) (maleate levamlodipine tablets and dispersible tablets), Encun (恩存) (clopidogrel bisulfate tablets), Daxinning (達新寧) (dronedarone hydrochloride tablets), Abikang (阿比康) (aspirin enteric tablets) and Meiluolin (美洛林) (ticagrelor tablets).

Xuanning is mainly used for the treatment of hypertension, chronic stable angina and variant angina, and is a product in the national reimbursement drug list and essential drug list. In 2019, Xuanning received marketing approval from the U.S. Food and Drug Administration (FDA), becoming the first Chinese innovative drug granted full approval by the U.S. FDA. It is also included in certain authoritative guidelines such as the "Guidelines for Hypertension Prevention" and "Guidelines for the Rational Use of Drugs for Hypertension" in China. The Group reorganised its Xuanning sales team during the year, and strengthened the application at different levels of medical institutions in China by adopting an integrated sales model with direct, cooperative and retail sales, boosting the rapid sales growth of Xuaning and actively expanding overseas markets.

Encun is the only domestic clopidogrel bisulfate tablets with approval by the U.S FDA. It is a preferred drug for treating coronary heart disease and secondary prevention for stroke with high quality and reasonable price. Encun is also recommended by the 2020 edition of the "Guidelines for Comprehensive Management Practice of Primary Cardiovascular Disease". In September 2019, the Group has won the nationwide extended tender of the centralized procurement with a reasonable price. The year 2020 was the first year of tender implementation. In the tender-winning provinces, through the effective marketing development and academic-based promotions, we achieved rapid sales volume ramp-up and recorded satisfactory sales revenue, with actual sales volumes more than doubling the contracted purchase volume.

Daxinning is the first-to-market generic dronedarone hydrochloride tablets in China and is mainly used for the treatment of sinus arrhythmia patients with a medical history of paroxysmal or persistent atrial fibrillation. Dronedarone is an exclusive product in China and will not be selected for national centralized procurement in the short term. With the ongoing aging population in China, the base of patients with atrial fibrillation will gradually increase with growing attention, providing a promising market prospect. Since launch in October 2019, the Group has established a dedicated sales team and adopted the sales model of professional academic-based promotion. More than 12,000 patients with atrial fibrillation have been served so far within a year with satisfactory sales revenue recorded.

In 2020, cardiovascular disease products recorded sales of RMB2,359 million, representing a year-on-year increase of 61.9%. In addition to the new sales revenue contributed by new products such as Encun and Daxinning, the sales growth of Xuanning has reached 36.8%.

Respiratory disease products

Major products include Qixiao (琦效) (arbidol hydrochloride tablets), Zhongnuo Like (中諾立克) (ambroxol hydrochloride oral solution), Zhongnuoping (中諾平) (ambroxol hydrochloride extended-release tablets) and Nuoyian (諾一安) (montelukast sodium tablets/chewabletablets).

As a broad-spectrum antiviral drug, Qixiao is mainly used for the treatment of viral infections represented by influenza. It has also been included in multiple editions of the Guidelines for the Diagnosis and Treatment of COVID-19 in 2020. The Group will increase efforts in medical research on Qixiao in various therapeutic areas, establish evidence of efficacy comparable to oseltamivir and actively promote clinical applications of the product in emergency, pediatrics, respiratory and infection departments. Qixiao achieved rapid sales volume ramp-up and satisfactory sales revenue during the year.

In 2020, respiratory disease products recorded sales of RMB491 million, representing a year-on-year increase of 54.4%.

Digestion and metabolism disease products

Major products include Linmeixin (林美欣) (glimepiride dispersible tablets), Shuanglexin (雙樂欣) (metformin hydrochloride tablets/extended-release tablets) and Xinweiping (欣維平) (acarbose tablets) (approved in the first half of this year). In 2020, Digestion and metabolism disease products recorded sales of RMB492 million, representing a year-on-year increase of 8.8%.

Products in other therapeutic areas

Major products include Gubang (固邦) (alendronate sodium tablets/enteric tablets), Xianpai (先派) (omeprazole injections) and Qimaite (奇邁特) (tramadol hydrochloride tablets). In 2020, products in other therapeutic areas recorded sales of RMB647 million, representing a year-on-year increase of 10.7%.

Bulk Product Business

Vitamin C

In 2020, the vitamin C product series recorded sales revenue of RMB1,859 million, representing a slight year-on-year decrease of 3.2%. Owing to the pandemic and changes in supply and demand, product price has shown an upward trend since the beginning of this year with strong market demand. The Group has already laid out the capacity expansion plan for vitamin C in 2021 in order to establish a solid foundation to further increase market share and extend to untapped markets. The Group will also continue to optimise customer structure and focus on branding in order to enhance the overall market competitiveness.

Antibiotics and Others

In 2020, the antibiotic and others product series recorded sales revenue of RMB1,373 million, representing a year-on-year increase of 30.4%. During the year, the increase in export demand for antibiotic products has contributed to the growth of the business. The Group will keep improving product qualities, accelerating accreditation in the high-end market, developing end-user customers as well as making use of the product chain advantage.

Functional Food and Others Business

In 2020, the business recorded sales revenue of RMB1,306 million, representing a year-on-year increase of 9.5%. Caffeine products maintained a steady operation with stable product prices and growth in sales volume. The Group will continue to maintain a steady growth of the results through technology upgrade, cost reduction and market development.

Research and Development

The Group has a leading R&D team with bases located in Shijiazhuang, Shanghai, Beijing and the United States, focusing on the discovery, research and development of small molecule target drugs, nano-drugs, monoclonal antibody drugs, bispecific antibody drugs, antibody-drug conjugates and biological drugs in the immune field.

The Group firmly believes in the importance of investing in research and development so that the Group can have strong product and technology innovation capability as well as a rich pipeline of drugs under development. The R&D expenses for the year amounted to RMB2,890 million (charged to profit or loss statement), representing a year-on-year increase of 44.5% and accounting for approximately 14.2% of the finished drug business revenue. At present, there are around 300 projects in the pipeline, of which over 40 are innovative small molecule drugs, over 40 are innovative macromolecule drugs and over 20 are drugs of new preparation, primarily focusing on the therapeutic areas of oncology, autoimmunity, psychiatry and neurology, digestion and metabolism, cardio-cerebrovascular system and anti-infectives. Currently, there are 30 drug candidates pending drug registration approval, 41 products under clinical trials (including 30 innovative drugs and 11 new preparations) and 8 products under bioequivalence tests and 2 products pending clinical trial approval.

The Group is committed to building a technology platform with its own intellectual property rights to differentiate itself from its competitors in the industry. The Group's nanomedicine technology platform is the most competitive in the industry, and its related pipeline layout is also leading in the international arena. The "National Key Laboratory for New Formulations and Excipients" established by the Group has been ranked as "excellent" in the evaluation of the State Key Laboratory for a number of times.

In respect of nanomedicine delivery technologies, the Group has systematically developed a number of core delivery technologies including nanoliposomes, albumin nano-formulations, polymeric micelles, and lipid nanoparticles for the delivery of nucleic acid drugs and nucleic acid vaccines.

A number of products have been developed based on the nanomediciene technology platform. Duomeisu (多美素) and Keaili (克艾力) which have been launched to the market have become important products for the Group. Amphotericin B nanocomplex and mitoxantrone liposomes have been submitted to the NDA for priority review and will be approved within the year. Amphotericin B liposomes have been submitted for market launch and irinotecan liposomes will be submitted for market launch in the near future. Docetaxel albumin nanoparticles, paclitaxel cationic liposomes, prostaglandin liposomes, Daunorubicin/Cytarabine liposomes and paclitaxel albumin nanoparticles (fast dissolving) are under clinical trial. Applications for clinical trials for products such as sirolimus albumin nanoparticles and cisplatin polymer micelles will be submitted very soon and the clinical trials are expected to start in the near future. In addition, more than 20 other nanomedicines are in pre-clinical studies. The use of nanotechnology to deliver nucleic acid drugs and nucleic acid vaccines has gradually become a trend and is a hot topic in the industry. The Group is also actively developing new delivery technologies and has made positive progress in the development of a number of new products, including the coronavirus RBD dimer nucleic acid vaccine.

The major products under development of the Group are as follows:

Therapeutic Area	Name of Product under Development	
Oncology	Duvelisib capsules	SKLB1028 capsules
	HA121-28 tablets	SYHA1801 capsules
	SYHA1807 capsules	Simmitinib hydrochloride tablets
	SYHA1803 capsules	JMT103
	SYHA1813 oral solutions	DP303c
	SYHA1815 tablets	M802*
	SYSA1802	ALMB0168
	JMT101	Paclitaxel cationic liposome for injection
	M701*	
	Y150 (CD38/CD3)*	Docetaxel for injection (albumin-bound)
	Irinotecan liposome injection	
	Mitoxantrone hydrochloride liposome injection	
Anti-infectives	Amphotericin B liposome for injection	Baicalein tablets
	Amphotericin B cholesteryl sulfate complex for injection	
Digestion & Metabolism	DBPR108 tablets	SYHA1402 tablets
	SYHA1805 tablets	SYSA1803 (TG103)
Psychiatry & Neurology	Butylphthalide soft capsules	Ammuxetine hydrochloride enteric tablets
	ALMB0166	
Cardio-cerebrovascular	SYHA136 tablets	Alprostadil liposome for injection
Immunity System	Omalizumab	SYHX1901
	NBL-012	
Others	CSPCHA115 capsules	JMT103

* *Product developed by Wuhan YZY Biopharma Co. Ltd.*

The Group's R&D innovation capabilities and projects have received great support from the government. The projects receiving government funding support since the beginning of this year include: 14 major scientific and technological projects for the "13th Five-Year" major new drug innovation projects, 1 key project under the national key research programme in "nanotechnology", 10 scientific and technological plan projects in Hebei Province, 5 biomedical health industry projects of Shijiazhuang Industry and Information Technology Department, 4 scientific and technological plan projects in Shijiazhuang City and a number of high-tech zone policy support projects.

The Group also attaches great importance to the protection of intellectual property rights and actively files patent applications for its research and development projects. Since the beginning of the year, the Group has filed 148 patent applications (115 domestic and 33 overseas) and received 106 authorisations (84 domestic and 22 overseas).

The Group is also actively looking for acquisition and collaboration opportunities in order to strengthen is product pipeline and leverage on its strong marketing capability. In March 2021, the Group has obtained the product licensing and commercialisation rights of two products, which are under development, namely CM310 (an anti-IL-4Rα recombinant fully humanized antibody) and BPI-7711 Capsules (a third generation irreversible EGFR-TKI).

In the three years ahead, the Group is expected to launch more than 60 new products, over 15 of which will be key products with a market potential exceeding RMB1 billion each. Meanwhile, mitoxantrone liposomes, docetaxel albumin nanoparticles and paclitaxel albumin nanoparticles (fast dissolving), which are developed based on the nanotechnology platform, are all heavyweight products with global patents and great market value. The launch of these new products will certainly provide strong support to the Group's high quality growth in the future.

FINANCIAL REVIEW

Results

	2020	2019	Change
	RMB'000	*RMB'000*	
Revenue:			
Finished drugs	**20,404,678**	17,937,001	13.8%
Bulk products			
— vitamin C	**1,859,272**	1,921,704	-3.2%
— antibiotics and others	**1,372,639**	1,052,318	30.4%
Functional food and others	**1,305,615**	1,192,169	9.5%
Total	**24,942,204**	22,103,192	12.8%
Gross profit	**18,685,322**	15,910,981	17.4%
Gross profit margin	**74.9%**	72.0%	

Finished drug business is the major growth driver to the Group with sales increasing by 13.8% to RMB20,405 million for the current year. Key products such as NBP, Xuanning, Duomeisu, Jinyouli and Keaili continued to maintain strong growth. Gross profit margin slightly increased mainly attributable to an improvement in sales mix.

Selling and Distribution Expenses

Selling and distribution expenses was RMB9,378 million for the current year as compared with RMB8,712 million last year. The increase in selling and distribution expenses was primarily attributable to (i) expansion of sales force of finished drugs; and (ii) increased efforts in marketing and academic promotion for key finished drug products and newly launched finished drug products.

Administrative Expenses

Administrative expenses was RMB946 million for the current year as compared with RMB749 million last year. The increase in administrative expenses was primarily attributable to the expanded scale of operation and management function of the Group.

Research and Development Expenses

R&D expenses was RMB2,890 million for the current year as compared with RMB2,000 million last year. The increase in R&D expenses was primarily attributable to (i) increased number of products under development; and (ii) increased spending on ongoing and newly initiated clinical trials.

Liquidity and Financial Position

For the year 2020, the Group's operating activities continued to generate strong net cash inflow. Average turnover period of trade receivables (ratio of balance of trade receivables to sales, inclusive of value added tax for sales in China) decreased from 35 days in 2019 to 33 days this year. Average turnover period of inventories (ratio of balance of inventories to cost of sales) decreased from 149 days in 2019 to 109 days this year. Current ratio of the Group was 2.5 as at the year end of 2020, higher than 2.2 a year ago. Capital expenditure for the year amounted to approximately RMB1,000 million, which were mainly spent to construct production facilities and improve production efficiency.

The Group's financial position remained solid. As at the end of 2020, the Group's bank balances and cash amounted to RMB7,259 million (2019: RMB4,118 million) and bank loans amounted to RMB99 million (2019: RMB23 million). The gearing ratio (balance of bank loan divided by total equity) as at the end of the year was 0.43% (2019: 0.12%).

The bank loan is denominated in Renminbi. The Group's sales are denominated in Renminbi (for domestic sales in China) and in US dollars (for export sales). The Group manages its foreign exchange risks by closely monitoring its foreign exchange exposures and mitigating the impact of foreign currency fluctuations by using appropriate hedging arrangements when considered necessary.

Pledge of Assets

The Group had no assets charged to any third parties as at 31 December 2020.

Dividend Policy

It is the present intention of the Board to provide shareholders with regular dividends with a normal target payout ratio of not less than 30 per cent of the Group's core profit on a full year basis. The actual amount of dividends will depend on a number of factors including but not limited to financial results, financial position and funding needs of the Group.

Employees

As at 31 December 2020, the Group had a total of 21,527 employees. the majority of them are employed in mainland China. The Group will continue to offer competitive remuneration packages, share options, share awards and bonuses to staff based on the performance of the Group and individual employee.

SUSTAINABLE DEVELOPMENT STRATEGIES

The Group will continue to pursue the development strategies of (i) active development of innovative drug business; (ii) continuation of products internationalization; and (iii) consolidation of leadership in bulk drug business in order to achieve long-term sustainable growth.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2020 except the deviation from code provision A.2.1 as set out below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Dongchen, the Company's Chairman, has also assumed the role as the chief executive officer of the Company. The Company believes that vesting both roles in Mr. Cai will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

Following the resignation of Mr. Chan Siu Keung, Leonard as an independent non-executive director on 1 January 2021, the Company did not comply with the following rules of the Listing Rules: i) rule 3.10A requiring independent non-executive directors representing at least one-third of the Board; ii) rule 3.10(2) requiring at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) rule 3.21 requiring at least one of the members of the audit committee with appropriate professional qualifications or accounting or related financial management expertise and the audit committee must be chaired by an independent non-executive director; and (iv) rule 3.25 requiring the remuneration committee chaired by an independent non-executive director. With the appointment of Mr. Au Chun Kwok Alan as an independent non-executive director, the chairman of the audit committee and remuneration committee on 27 January 2021, the said rules of the Listing Rules have been complied with by the Company.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 May 2021 to Tuesday, 18 May 2021, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Tuesday, 18 May 2021, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 May 2021.

The register of members of the Company will be closed from Wednesday, 26 May 2021 to Friday, 28 May 2021, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 25 May 2021.

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 listed securities of the Company during the year.

By order of the Board
CAI Dongchen
Chairman

Hong Kong, 15 March 2021

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LI Chunlei, Dr. WANG Qingxi, Mr. CHAK Kin Man and Dr. JIANG Hao as executive directors; and Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan and Mr. LAW Cheuk Kin Stephen as independent non-executive directors.