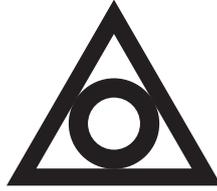


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SINO BIOPHARMACEUTICAL LIMITED
中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: www.sinobiopharm.com

(Stock code: 1177)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2020

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2020, the Group recorded the following audited results:

- Revenue was approximately RMB23,647.22 million, dropped marginally by approximately 2.4% over the last year;
- Profit attributable to the owners of the parent was approximately RMB2,771.09 million, a slight increase of approximately 0.3% over the last year;
- Basic earnings per share attributable to the owners of the parent were approximately RMB14.74 cents, a slight increase of approximately 0.4% over the last year;
- Underlying profit^(Note 1) attributable to the owners of the parent was approximately RMB3,114.34 million, a slight decrease of approximately 0.3% over the last year;
- Earnings per share, based on the underlying profit^(Note 1) attributable to the owners of the parent, were approximately RMB16.57 cents, a slight decrease of approximately 0.2% over the last year;
- Sales of new products^(Note 2) accounted for approximately 38.1% of the Group's total revenue; amounted to approximately RMB9,010.65 million, an increase of approximately 79.3% over the last year;
- Sales of oncology medicines amounted to approximately RMB7,618.37 million, an increase of approximately 40.3% over the last year; and
- Cash and bank balances as at 31 December, 2020 was approximately RMB11,259.08 million.

The Board of the Company has recommended the payment of a final dividend of HK2 cents per share for the year ended 31 December, 2020. Together with the quarterly dividend of HK2 cents per share paid for each of the first three quarters, the total dividend of the year amounted to HK8 cents per share.

Note 1: Underlying profit represents profit attributable to the owners of the parent excluding the impact of (i) amortization expenses of new identifiable intangible assets arising from the consolidation of 24% interests in Beijing Tide under common control (net of related deferred tax and non-controlling interests); (ii) unrealized fair value gains and losses on current equity investments and financial assets; (iii) fair value gain of Convertible Bond embedded derivative component; and (iv) effective interest expenses of the Convertible Bond debt component. A reconciliation between profit attributable to the owners of the parent and underlying profit has been set out under the section headed “Underlying Profit” of this announcement.

Note 2: Products launched within five years

CORPORATE PROFILE

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

Principal products:

| | |
|-------------------------------|--|
| Oncology medicines: | Qingkeshu (Abiraterone Acetate) tablets, Qianping (Bortezomib for injections), Anxian (Lenalidomide) capsules, Yinishu (Dasatinib) tablets, Genike (Imatinib Mesylate) capsules, Shoufu (Capecitabine) tablets, Jizhi (Gefitinib) tablets, Leweixin (Bendamustine Hydrochloride for injection) |
| Hepatitis medicines: | Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules |
| Orthopedic medicines: | Gaisanchun (Calcitriol) capsules, Yigu (Zoledronic Acid) injections Taiyan (Tofacitinib Citrate) tablets |
| Anti-infectious medicines: | Tianjie (Tigecycline for injection), Fengruineng (Moxifloxacin Hydrochloride and Sodium Chloride) injections, Tianli (Linezolid and Glucose) injections Tianming (Caspofungin Acetate for injection) |
| Respiratory system medicines: | Tianqingsule (Tiotropium Bromide) inhalation powder |
| Others: | Debaian (Flurbiprofen) cataplasms, Qingliming (Iodixanol) injections |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company became a constituent stock of Hang Seng China (HK-listed) 25 Index in June 2020.

The Group’s website: <http://www.sinobiopharm.com>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2020, the sudden outbreak of COVID-19 seriously affected the global economy. Countries across the world were forced to implement work suspensions and lockdown measures, resulting in massive stoppages of economic activities. Although the central banks of many countries launched a series of economic stimulus measures, GDP levels plunged by worst-ever rate, dragging down the global economy to its deepest recession. The US and countries in Europe have not yet shown any signs of full recovery. In China, the COVID-19 pandemic has come under control and economic activities have resumed continuously. However, China only managed to achieve year-on-year GDP growth of 2.3% during the year since overall growth has been greatly affected by the pandemic.

During the year, the pandemic led to a notable reduction in the number of general patient admissions in hospitals and it also limited traditional academic activities and information transmission of pharmaceutical enterprises, thus inflicting a widespread and deep impact on the operations, industry structure and operation model of these enterprises. Amid such backdrop, the Chinese government continued to conduct medical security system reforms with centralized drug procurement and medical insurance payment method changes at the core. The implementation of the second and third centralized drug procurement has also caused a steep fall in the prices of generic drugs. Small and medium-sized enterprises in the pharmaceutical industry, which mainly focus on producing generic drugs, faced unprecedented challenges in their operations. China has introduced laws and regulations to shorten the period for approving products with apparent clinical value to speed up the approval and launch of innovative products. The country has also accelerated the inclusion of newly-approved innovative drugs covered under medical insurance schemes through adjustments in the National Reimbursement Drug List, encouraged domestic enterprises to strengthen new drugs R&D, and accelerated the entry to China of new drugs from overseas. Such moves have promoted the quick adjustment of the structure of products in the pharmaceutical industry.

Amid the pandemic, the “Internet + healthcare” operations, online drug sales and online academic services gained national policy support, and online follow-up consultation services for common and chronic diseases have been included to the medical insurance payment scheme, setting a precedent in related policies. Internet healthcare has entered a phase marked by a fast growth pace, thus facilitating the transformation of the pharmaceutical marketing model towards the Internet sales mode.

COVID-19 vaccines offer hopes of controlling the pandemic across the world. Today, various vaccines, including those developed by China, are rolling out. These vaccines are expected to bring huge social and economic benefits.

Business Review

The Group's outstanding achievements during the fourth quarter of 2020

- The Group made a capital contribution to Sinovac Life Sciences Co., Ltd. (“Sinovac LS”) that amounted to US\$515 million and becomes interested in a 15.03% equity interest in Sinovac LS. Sinovac LS has made significant progress in the phase III clinical trials of its inactivated COVID-19 vaccine and it has received orders from different countries, with a promising profitability outlook. The investment will help Sinovac enhance its R&D and production capabilities of CoronaVac, a COVID-19 vaccine, and other development and operational activities of Sinovac LS. The investment also marks Sino Biopharm’s foray into vaccine R&D and production. Sinovac LS, which is principally engaged in the business of R&D of vaccines for human use, has made significant progress in the development of the COVID-19 vaccine CoronaVac. It is not only the first to successfully develop an inactivated COVID-19 vaccine, but also one of the few enterprises in China that can produce such vaccines on a large scale.
- Penpulimab (product name: Annike), an anti-PD-1 monoclonal antibody drug that is jointly developed by the Group and Akeso, Inc., for third-line treatment of metastatic nasopharyngeal carcinoma has gained fast-track designation (FTD) from the U.S. Food and Drug Administration (“FDA”). During the 35th Annual Meeting of the Society for Immunotherapy of Cancer, the latest research data on the monoclonal antibody Penpulimab in treating relapsed or refractory classic Hodgkin lymphoma was presented. The objective response rate (ORR) and complete remission rate (CR) reached 83.6% and 49.3%, respectively, levels which far exceeded historical comparison and outperformed published data on PD-1 monoclonal antibodies that have been approved for launch conditionally.
- Results of the “2020 Top 100 Chinese Chemical Pharmaceutical Enterprises – Comprehensive Strength” (二零二零中國化學製藥行業工業企業綜合實力百強榜) were announced during the “China ChemPharm Annual Summit 2020” held in October 2020. Six member companies of the Group made it to the top 100 list, including CT Tianqing which ranked 5th, NJCTT and Beijing Tide which ranked 37th and 38th, respectively, Jiangsu CT Fenghai which ranked 68th, as well as CP Qingdao and Jiangsu CT Qingjiang which ranked 97th and 99th, respectively.

Results of the “2020 Outstanding Innovative Corporate Brand of China’s Chemical Pharmaceutical Industry” (二零二零年中國化學製藥行業創新型優秀企業品牌) were also announced during the Summit, and three member companies of the Group were included in the list. They were CT Tianqing, NJCTT and Beijing Tide, which ranked 4th, 14th and 18th, respectively.

The Group’s new Chemicals Category I drug Anlotinib received the “2020 Innovative Drug Special Award in China’s Chemical Pharmaceutical Industry” (二零二零年中國化學製藥行業創新藥特設獎); its Kaina (Beraprost Sodium) tablets won the “2020 Outstanding Product Brand-Blood and Hematopoietic System in China’s Chemical Pharmaceutical Industry” (二零二零年中國化學製藥行業血液及造血系統類優秀產品品牌) and its Debaining (Lidocaine Cataplast) obtained the “2020

Outstanding Generic Drug Special Award in China's Chemical Pharmaceutical Industry" (二零二零年中國化學製藥行業優秀仿製藥特設獎). CT Tianqing and NJCTT also won 19 other product awards.

- In the fourth quarter, the Group obtained 12 approvals for drug registration and passed (or are deemed to have passed) Consistency Evaluations for 23 chemical drugs. The Group obtained a total of 35 approvals for new drug registration and passed the Consistency Evaluations for 47 chemical drugs during the year.

At the start of the COVID-19 pandemic, the Group, with its strong sense of social responsibility and high sensitivity, responded promptly and donated funds and materials to efforts aimed at controlling the pandemic. It made an emergency decision to add mask production lines and production of masks commenced to meet the urgent needs amid the pandemic. Since January, the Group has made 18 donations of funds, drugs and materials involving a combined amount of RMB22 million. In addition, the Group resumed work and production as soon as possible while complying strictly with the government's COVID-19 prevention and control measures. While according high priority to the production of drugs that were urgently needed during the pandemic, the Group also strived to meet market demand for other general drugs.

Due to the adverse impact of COVID-19 and lower product prices in the centralized drug procurement program, the Group's overall revenue and profit during the year did not meet the set targets. The number of hospital patients plunged dramatically during the pandemic as outpatient clinics halted their services and on-site academic activities and services were almost completely stopped. These adverse developments therefore prompted the Group to actively explore and expand investments in online marketing, academic activities and services. Nearly 80,000 different kinds of online academic activities were held for nearly 30 million customers and patients. The Group also strived to connect with and optimize sales terminals by working with over 60,000 pharmacies, which had served nearly 2 million patients. Its efforts successfully boosted product sales and marketing. Online marketing and academic services have since become an important part of the Group's sales and marketing operations.

The implemented centralized drug procurement system covers over 20 of the Group's products, and this has deeply affected revenue and profit of the Group's generic drugs in various areas such as hepatitis and cardiovascular, which have been on the market for an extensive period and are currently competing with those of many manufacturers. The Group, therefore, switched marketing and sales resources towards new products that have been approved for launch in the last three years and carry significant academic value. Numerous academic exchanges and other forms of academic activities, organized in new online platforms, have brought about bountiful harvests. Cumulative revenue from 45 products that have been marketed in the past three years has grown by over 100% compared with last year's level, and their contributions to total revenue have also increased from 16% to over a third. The increase in new products has mitigated part of the influence from old products due to the centralized drug procurement program.

The centralized drug procurement has had the most impact on the therapeutic categories of hepatitis, cardio-cerebral vascular, analgesic and digestive system medicines, thereby causing a significant fall of their revenue contributions. The oncology drug FOCUS V® (Anlotinib) has been approved for three

new indications, namely non-small cell lung cancer, small cell lung cancer and soft tissue sarcoma, and it has been included to the National Medical Reimbursement Drug List. The Group has formed a strong product mix with 23 oncology products for various solid or haematological tumors. Oncology products of the Group have included more and more new products which have generated strong revenue, accounting for a third of total revenue, and becoming the most important product category. The new respiratory drug Tianqingsuchang generated strong sales of over RMB500 million after it was marketed, slightly more than six months ago and it is therefore worth looking forward to its higher revenue and profit contributions.

During the year under review, Fulvestrant Injection has been granted FDA approval and it has started generating sales. The products have recorded total revenue of over RMB36 million from overseas during the year, marking the first step for the Group's products to be sold overseas.

The products approved for launch in the fourth quarter included 2 specifications of Pomalidomide Capsules, 2 specifications of Iodixanol Injection, 3 specifications of Afatinib Dimaleate Tablets, 1 specification of Olmesartan Medoxomil and Amlodipine Besylate Tablets, 1 specification of 40mg of Pantoprazole Sodium for Injection, 2 specifications of Eloricoxib Tablets and 1 specification of Cisatracurium Besylate Injection.

In 2020, the Group obtained 35 approvals for drug registration and 47 approvals for Consistency Evaluation. It submitted 41 applications for clinical trial, and completed production filing after clinical trials for 25 products. 12 applications for Consistency Evaluation were made. The Group obtained 191 patent approvals, including 158 invention patents. Cumulatively, the Group has obtained 924 invention patent approvals, making the Group the leading pharmaceutical company in China in terms of patent approvals.

Brief introduction to some newly-approved products:

- **Pomalidomide** is the new-generation immunomodulatory agent for the treatment of haematological oncology, and it is applicable for indications including multiple myeloma and Kaposi sarcoma. Compared with Thalidomide and Lenalidomide, Pomalidomide has a lower therapeutic dose and a low incidence of adverse events, as well as a significant effect on patients who are refractory to both Lenalidomide and Bortezomib. Pomalidomide is also the first new drug in nearly 20 years for Kaposi sarcoma and the only oral drug for the disease. The branded drug of Pomalidomide was marketed in the US in 2013 and it generated global sales of over US\$3 billion in 2020, but it has not been launched in China. So the Group's product is the first in the domestic market and it is set to bring new hope to patients of applicable indications.
- **Afatinib Dimaleate** is the second generation epidermal growth factor receptor ("EGFR") inhibitor. In 2013, it obtained FDA approval as the first-line treatment for lung cancer patients with EGFR-positive mutations. Compared with the first-generation drug, the product can significantly reduce the risks of cancer growth and mortality and significantly improve control of the disease. Market approval will therefore enhance the Group's drug layout for lung cancer indications.

During the year, the Group recorded revenue of approximately RMB23,647.22 million, dropped marginally by approximately 2.4% over the last year. Profit attributable to the owners of the parent was approximately RMB2,771.09 million, a slight increase of approximately 0.3% over the last year. Earnings per share attributable to the owners of the parent were approximately RMB14.74 cents, a slight increase of approximately 0.4% over the last year. Excluding the impact of amortization expenses of new identifiable intangible assets arising from the consolidation of 24% interests in Beijing Tide under common control (net of related deferred tax and non-controlling interests), the unrealized fair value gains and losses on current equity investments and financial assets, as well as the fair value gain of Convertible Bond embedded derivative component and effective interest expenses of Convertible Bond debt component, underlying profit attributable to the owners of the parent was approximately RMB3,114.34 million, a slight decrease of approximately 0.3% over the last year. Based on underlying profit attributable to the owners of the parent, the earnings per share were approximately RMB16.57 cents, a slight decrease of approximately 0.2% over the last year. Sales of new products accounted for approximately 38.1% of the Group's total revenue for the year, while it was approximately 20.7% for last year. Cash and bank balances totaled approximately RMB11,259.08 million at the year end.

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. The major therapeutic areas of the Group include hepatitis medicines, oncology medicines, orthopedic medicines, anti-infectious medicines, respiratory system medicines and others.

Oncology medicines

For the year ended 31 December, 2020, the sales of oncology medicines amounted to approximately RMB7,618.37 million, representing approximately 32.2% of the Group's revenue.

Hepatitis medicines

For the year ended 31 December, 2020, the sales of hepatitis medicines amounted to approximately RMB3,755.12 million, representing approximately 15.9% of the Group's revenue.

Orthopedic medicines

For the year ended 31 December, 2020, the sales of orthopedic medicines amounted to approximately RMB2,073.63 million, representing approximately 8.8% of the Group's revenue.

Respiratory system medicines

For the year ended 31 December, 2020, the sales of respiratory medicines amounted to approximately RMB1,480.87 million, representing approximately 6.2% of the Group's revenue.

Anti-infectious medicines

For the year ended 31 December, 2020, the sales of anti-infectious medicines amounted to approximately RMB1,323.50 million, representing approximately 5.6% of the Group's revenue.

Others

For the year ended 31 December, 2020, the sales of others amounted to approximately RMB7,395.73 million, representing approximately 31.3% of the Group' revenue.

UNDERLYING PROFIT

Addition information is provided below to reconcile profit attributable to the owners of the parent and underlying profit. The reconciling items principally adjust for the impact of amortization expenses of new identifiable intangible assets (net of deferred tax and non-controlling interests) arising from the consolidation of 24% interests of Beijing Tide under common control, the unrealized fair value gains and losses of current equity investments and financial assets, as well as the fair value gain of Convertible Bond embedded derivative component and effective interest expenses of Convertible Bond debt component.

| | For the year ended 31 December, | |
|---|--|-------------------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| | (Audited) | (Audited and restated) |
| Profit attributable to the owners of the parent | 2,771,086 | 2,761,542 |
| Adjustment related to the consolidation of 24% interests in Beijing Tide under common control: | | |
| Amortization expenses of new identifiable intangible assets (net of related deferred tax and non-controlling interests) | 358,999 | 358,999 |
| Unrealized fair value (gains)/losses of current equity investments and financial assets, net | (29,251) | 4,688 |
| Fair value gain of Convertible Bond embedded derivative component | (88,009) | — |
| Effective interest expenses of Convertible Bond debt component | 101,511 | — |
| Underlying profit | <u>3,114,336</u> | <u>3,125,229</u> |
| Basic earnings per share | | |
| Underlying profit attributable to the owners of the parent used in the basic earnings per share calculation | <u>3,114,336</u> | <u>3,125,229</u> |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (Shares) | <u>18,800,284,155</u> | <u>18,811,056,402</u> |
| Basic earnings per share, based on underlying profit attributable to the owner of the parent (RMB' cents) | <u>16.57</u> | <u>16.61</u> |

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

SIGNIFICANT INVESTMENTS DURING THE YEAR

In December 2020, the Group entered into an agreement in relation to the capital contribution to Sinovac Life Sciences Co., Ltd. (北京科興中維生物技術有限公司) (the “Sinovac”) in an amount of US\$515 million. Upon completion of the capital contribution, the Group becomes interested in 15.03% of the registered capital of Sinovac. As at 31 December, 2020, Sinovac was accounted for as an associate in the financial statements of the Group, and the carrying amount of the investment accounted for approximately 7.5% of total assets of the Group. Sinovac is principally engaged in the business of R&D, manufacture and sales of vaccines. Investing in Sinovac to promote the clinical trials and commercialization of the new coronavirus vaccine is a major measure to respond to the nation’s call to benefit the country and the people, and it will also help the Group to expand from the field of disease treatment to the field of disease prevention. It is conducive to the joint development of overseas markets.

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

As at 31 December, 2020, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain listed and unlisted equity investments) of approximately RMB1,991.11 million (31 December 2019: approximately RMB1,211.08 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB389.68 million (31 December, 2019: approximately RMB491.36 million).

In addition, as at 31 December, 2020, the Group had the non-current financial assets at fair value through profit or loss of approximately RMB3,865.07 million (31 December 2019: nil) and the current financial assets at fair value through profit or loss, including certain wealth management products and trust funds of approximately RMB3,827.06 million (31 December 2019: approximately RMB1,084.88 million), including the wealth management products of Bank of Communication (approximately RMB702.22 million), Ping An Bank (approximately RMB604.55 million), China Construction Bank (approximately RMB640.50 million), Industrial Bank (approximately RMB401.28 million), Citic Bank (approximately RMB351 million), Merchant Bank (approximately RMB201.53 million) and other banks. The wealth management products mainly consisted of principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The board of the directors (the “Board”) of the Company believes that the investment in wealth management products and trust funds can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group. As at 31 December, 2020, these investments amounted to approximately RMB7,733.06 million in total, representing approximately 16.4% of the total assets of the Group.

For the year ended 31 December, 2020, the Group recorded the realized gain on the disposal of the equity investment of approximately RMB34.53 million and unrealized fair value gain (net) of the current equity investments and financial assets of approximately RMB29.25 million. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

R&D

The Group has continued to focus its R&D efforts on new hepatitis, oncology, respiratory system and cardio-cerebral medicines. During the fourth quarter, the Group was granted 5 clinical trial approvals, 12 production approvals, and 23 approvals for Consistency Evaluation, and made 6 clinical trial applications, 2 application for Consistency Evaluation and 4 production applications. Cumulatively, a total of 391 pharmaceutical products had obtained clinical trial approval, or were under clinical trial or applying for production approval. Out of these, 39 were for hepatitis medicines, 183 for oncology medicines, 22 for respiratory system medicines, 20 for endocrine, 16 for cardio-cerebral medicines and 111 for other medicines.

Over the years, the Group has been placing high importance on R&D and innovation, as well as through collaboration and imitation, to raise both R&D standards and efficiency. Regarding R&D as the lifeblood of the Group's development, the Group continues to devote into more resources. For the year ended 31 December, 2020, the total R&D expenditure of approximately RMB2,852.68 million, which accounted for approximately 12.1% of the Group's revenue, was charged to the statement of profit or loss and capitalized in the statement of financial position.

The Group also emphasizes on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the fourth quarter, the Group has received 46 authorized patent notices (45 invention patents and 1 utility model patent) and filed 222 new patent applications (all were invention patents). Cumulatively, the Group has obtained 924 invention patent approvals, 31 utility model patents and 115 apparel design patents.

INVESTOR RELATIONS

The Group is committed to maintaining high corporate governance standards to ensure the long-term sustainable development of its business. Despite the spread of the COVID-19 pandemic during the year under review, the Group proactively approached local and overseas investors through a variety of channels to ensure that they have a thorough understanding of its latest developments and to gather valuable insights from investors through personal exchanges in line with its objective to further elevate its corporate governance standards.

Noting the pandemic's volatility, the Group hosted teleconference at the end of November to inform investors about its 2020 third quarterly results and its latest business development. The teleconference attracted more than 400 analysts and fund managers from Hong Kong and Mainland China. Aside from these, the Group distributed a press release relating to its results to the media so as to keep retail investors well informed about its latest business status and its prospects via media coverage. Apart from the press release about its results, the Group also dispatched other information, such as the Company's repurchase of shares and the increase in shareholding by the Directors through media channels from time to time.

The management also continued to participate in numerous online investment summits and roadshows hosted by large investment banks and securities companies, including Bank of America, Goldman Sachs, Guotai Junan, Daiwa and BOC International. All these were aimed to help investors gain an update on the Group's business development and competitive advantages.

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

THE ISSUANCE OF CONVERTIBLE BONDS

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

On 15 July, 2020, the shareholders of the Company approved the bonus issue of shares of the Company on the basis of one new Share for every two existing Shares held by the qualifying shareholders whose names appear on the register of members of the Company on 24 July 2020 (the "Bonus Issue").

In accordance with the terms and conditions of the Convertible Bonds, an adjustment has been made to the Initial Conversion Price as a result of the Bonus Issue. The conversion price of the Convertible Bonds has been adjusted from HK\$19.09 to HK\$12.72 per Share ("Adjusted Conversion Price") with effect from 25 July, 2020. The maximum number of conversion shares issuable upon conversion of all the outstanding Convertible Bonds at the Adjusted Conversion Price is 507,836,084 Shares. For further details, please refer to the announcement made by the Company on 20 July, 2020.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with all the Code Provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the year ended 31 December, 2020, except for the deviation from Code Provisions E.1.2 and A.6.7 in relation to attendance of the annual general meeting of the Company (the “AGM”) by the chairwoman of the Board and Independent Non-Executive Directors (“INED(s)”). The chairwoman of the Board and three INEDs were unable to attend the AGM held on 26 May, 2020 due to other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors, it was confirmed that for the year ended 31 December, 2020, all Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s liquidity remains strong. During the year, the Group’s primary sources of funds were cash derived from operating activities, issuance of convertible bonds and bank borrowings. As at 31 December, 2020, the Group’s cash and bank balances were approximately RMB11,259.08 million (31 December, 2019: approximately RMB11,911.21 million).

CAPITAL STRUCTURE

As at 31 December, 2020, the Group had short term loans of approximately RMB1,552.83 million (31 December, 2019: approximately RMB666.75 million) and had long term loans of approximately RMB6,922.12 million (31 December, 2019: approximately RMB7,884.80 million). In addition, the debt component of the convertible bonds amounted to approximately RMB5,441.32 million as at 31 December, 2020 (31 December, 2019: nil).

CHARGE ON ASSETS

As at 31 December, 2020, the Group had charge on assets of approximately RMB856.39 million (31 December, 2019: approximately RMB830.00 million), excluding the amount of bills receivable discounted at banks of approximately RMB99.48 million (31 December, 2019: approximately RMB598.99 million).

CONTINGENT LIABILITIES

As at 31 December, 2020, the Group and the Company had no material contingent liabilities (31 December, 2019: Nil).

ASSETS AND GEARING RATIO

As at 31 December, 2020, the total assets of the Group amounted to approximately RMB47,210.44 million (31 December, 2019: approximately RMB37,514.19 million) whereas the total liabilities amounted to approximately RMB24,790.88 million (31 December, 2019: approximately RMB16,953.01 million). The gearing ratio (total liabilities over total assets) was approximately 52.5% (31 December, 2019: approximately 45.2%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 24,108 employees as at 31 December, 2020 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration) in selling and distribution costs and administrative expenses for the year was approximately RMB3,564,347,000 (2019: approximately RMB3,177,868,000).

The Group adopted the Share Option Scheme on 28 May, 2013 (the "2013 Share Option Scheme") and the Share Award Scheme on 5 January, 2018 (the "2018 Share Award Scheme"), both of which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. As of 31 December, 2020, (i) no option in respect of the Shares had been granted under the 2013 Share Option Scheme; and (ii) 80,480,500 Shares were held on trust under the 2018 Share Award Scheme and no Shares had been granted to any selected participant yet.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

PROSPECTS

Looking forward to 2021, except in China, it will still take time to contain COVID-19 across the world and for the global economy to recover. Domestic supply and demand have rebounded strongly, which means China will undoubtedly lead global economic recovery. After COVID-19 vaccines have been given conditional approvals for launch, vaccinations will provide major hope of containing the disease. With the increasing number of people around the world receiving COVID-19 vaccinations, the Group's investment in Sinovac LS, the vaccine manufacturer, stands to make attractive return.

The expansion of the centralized drug procurement scheme and its coverage has become a new normal in the domestic pharmaceutical industry. Profitability of generic drugs that are already battered amid a highly-competitive market will be affected significantly, and consolidation in the industry will accelerate. Leading companies with a strong R&D capability, top R&D teams and product pipelines, leading technological platform, high technology barrier and the ability to produce new products continuously will enjoy distinct advantages over their peers. The low levels of profitability due to the centralized drug procurement and rising costs caused by the medical representative registration system make it difficult to market and promote prescription drugs in hospitals in conventional ways. After noting the increasing importance of marketing and service model that employs online platforms in the pharmaceutical industry, the Group has undertaken moves to keep abreast of these latest developments.

APPRECIATION

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

RESULTS

The Board of the Company announces the audited consolidated results of the Group for the year ended 31 December, 2020 together with the comparative consolidated results for 2019 as follows:

Consolidated Statement of Profit or Loss

| | | For the year ended 31 December, | |
|---|-------|---------------------------------|------------------------------|
| | | 2020 | 2019 |
| | Notes | RMB'000 | RMB'000 |
| | | (Audited) | (Audited and restated) |
| REVENUE | 3 | 23,647,224 | 24,234,030 |
| Cost of sales | | <u>(5,182,320)</u> | <u>(4,926,268)</u> |
| Gross profit | | 18,464,904 | 19,307,762 |
| Other income and gains | 3 | 1,241,223 | 862,603 |
| Selling and distribution costs | | (8,972,635) | (9,319,541) |
| Administrative expenses | | (2,655,926) | (2,477,418) |
| Other expenses | | (2,737,921) | (2,564,249) |
| <i>Including: Research and development costs</i> | | <i>(2,626,709)</i> | <i>(2,398,712)</i> |
| Finance costs | 4 | (323,368) | (229,950) |
| Share of profits and losses of associates | | <u>(3,233)</u> | <u>111,385</u> |
| PROFIT BEFORE TAX | 5 | 5,013,044 | 5,690,592 |
| Income tax expense | 6 | <u>(672,377)</u> | <u>(902,747)</u> |
| PROFIT FOR THE YEAR | | <u>4,340,667</u> | <u>4,787,845</u> |
| Profit attributable to: | | | |
| Owners of the parent | | 2,771,086 | 2,761,542 |
| Non-controlling interests | | <u>1,569,581</u> | <u>2,026,303</u> |
| | | <u>4,340,667</u> | <u>4,787,845</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (note) | | | |
| – Basic and Diluted | 8 | <u>RMB14.74 cents</u> | <u>RMB14.68 cents</u> |

Note: Basic and diluted earnings per share for the year ended 31 December 2019 have been restated for the impact of the bonus issue of shares.

Details of the final dividend recommended for the year are disclosed in note 7 of this announcement.

Consolidated Statement of Comprehensive Income

| | For the year ended 31 December, | |
|--|--|-------------------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| | (Audited) | (Audited and restated) |
| PROFIT FOR THE YEAR | 4,340,667 | 4,787,845 |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | <u>(75,456)</u> | <u>57,505</u> |
| Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods | <u>(75,456)</u> | <u>57,505</u> |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Equity investments designated at fair value through other comprehensive income: | | |
| Changes in fair value | 363,891 | 23,632 |
| Income tax effect | <u>—</u> | <u>—</u> |
| | 363,891 | 23,632 |
| Share of other comprehensive income of associates | <u>52,914</u> | <u>5,689</u> |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | <u>416,805</u> | <u>29,321</u> |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | <u>341,349</u> | <u>86,826</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 4,682,016 | 4,874,671 |
| Attributable to: | | |
| Owners of the parent | 3,112,163 | 2,847,678 |
| Non-controlling interests | <u>1,569,853</u> | <u>2,026,993</u> |
| | 4,682,016 | 4,874,671 |

Consolidated Statement of Financial Position

| | <i>Notes</i> | 31 December 2020 RMB'000 (Audited) | 31 December 2019 RMB'000 (Audited and restated) | 1 January 2019 RMB'000 (Audited and restated) |
|---|--------------|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | | 6,870,288 | 6,379,337 | 5,344,604 |
| Investment properties | | 308,559 | 563,395 | 367,664 |
| Right-of-use assets | | 1,521,916 | 1,253,886 | 1,292,516 |
| Goodwill | | 88,926 | 88,926 | 88,926 |
| Intangible assets | | 924,710 | 1,324,212 | 1,858,218 |
| Investments in associates and a joint venture | | 5,050,637 | 808,443 | 326,329 |
| Equity investments designated at fair value through other comprehensive income | | 1,991,107 | 1,211,084 | 743,280 |
| Financial assets at fair value through profit or loss | | 3,865,074 | – | – |
| Deferred tax assets | | 463,366 | 557,348 | 447,170 |
| Prepayments and other asset | | 3,331,652 | 414,466 | 61,633 |
| Total non-current assets | | <u>24,416,235</u> | <u>12,601,097</u> | <u>10,530,340</u> |
| CURRENT ASSETS | | | | |
| Inventories | | 1,880,051 | 1,658,597 | 1,209,160 |
| Trade and bills receivables | 9 | 2,914,077 | 2,712,209 | 2,924,045 |
| Prepayments, other receivables and other assets | | 2,398,724 | 6,903,251 | 5,683,577 |
| Amounts due from related companies | | 125,536 | 151,588 | 7,501 |
| Equity investments designated at fair value through profit or loss | | 389,675 | 491,357 | – |
| Financial assets at fair value through profit or loss | | 3,827,056 | 1,084,883 | 2,000,685 |
| Cash and bank balances | 10 | 11,259,084 | 11,911,210 | 6,676,042 |
| Total current assets | | <u>22,794,203</u> | <u>24,913,095</u> | <u>18,501,010</u> |

| | <i>Notes</i> | 31 December 2020 RMB'000 (Audited) | 31 December 2019 RMB'000 (Audited and restated) | 1 January 2019 RMB'000 (Audited and restated) |
|--|--------------|---|---|---|
| CURRENT LIABILITIES | | | | |
| Trade and bills payables | <i>11</i> | 1,947,802 | 1,809,445 | 1,832,166 |
| Tax payable | | 60,701 | 189,873 | 246,498 |
| Other payables and accruals | | 7,353,512 | 5,433,879 | 4,684,382 |
| Interest-bearing bank borrowings | | 1,552,825 | 666,749 | 2,905,575 |
| Lease liabilities | | 28,699 | 23,079 | 33,959 |
| | | 10,943,539 | 8,123,025 | 9,702,580 |
| NET CURRENT ASSETS | | | | |
| | | 11,850,664 | 16,790,070 | 8,798,430 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | |
| | | 36,266,899 | 29,391,167 | 19,328,770 |
| NON-CURRENT LIABILITIES | | | | |
| Convertible bonds-debt component | | 5,441,324 | – | – |
| Convertible bonds-embedded derivative instrument | | 439,188 | – | – |
| Deferred government grants | | 608,201 | 480,652 | 532,941 |
| Interest-bearing bank borrowings | | 6,922,115 | 7,884,802 | 507,066 |
| Lease liabilities | | 264,861 | 41,270 | 47,792 |
| Deferred tax liabilities | | 171,652 | 423,261 | 461,752 |
| | | 13,847,341 | 8,829,985 | 1,549,551 |
| Net assets | | | | |
| | | 22,419,558 | 20,561,182 | 17,779,219 |
| EQUITY | | | | |
| Equity attributable to owners of the parent | | | | |
| Share capital | <i>12</i> | 415,895 | 278,451 | 278,846 |
| Treasury shares | | (469,944) | (412,837) | (457,288) |
| Reserves | | 16,801,209 | 15,083,631 | 13,199,885 |
| | | 16,747,160 | 14,949,245 | 13,021,443 |
| Non-controlling interests | | | | |
| | | 5,672,398 | 5,611,937 | 4,757,776 |
| Total equity | | | | |
| | | 22,419,558 | 20,561,182 | 17,779,219 |

1.1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment and equity investments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|--|
| Amendments to HKFRS 3 | <i>Definition of a Business</i> |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions (early adopted)</i> |
| Amendments to HKAS 1 and HKAS 8 | <i>Definition of Material</i> |

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Company is actively exploring the possibility of conducting various onshore fund-raising activities in China for the business development of the Group. In connection with such onshore fund-raising activities, the Company will be required to prepare and publish financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "China Accounting Standards"). The directors of the Group elected to change the method of accounting for property, plant and equipment and the method of accounting for business combinations involving entities under common control, as the directors believe it provides more relevant information to users of its financial statements by minimizing the differences between financial statements prepared in accordance with HKFRS and those to be prepared in accordance with the China Accounting Standards.

- 1) The Group re-assessed its accounting for property, plant and equipment with respect to measurement of property, plant and equipment after initial recognition. In previous years, the Group's property, plant and equipment, other than construction in progress, were stated at revaluation less accumulated depreciation and any impairment loss. Following the Proposed Domestic Issue, the directors of the Group elected to change the method of accounting for property, plant and equipment to cost model.

The changes in accounting policy has been accounted for retrospectively and the comparative figures for the corresponding comparative prior periods have been restated. This change did not result in a significant impact on the Group's consolidated results, earnings per share (basic and diluted) and cash flows for the year ended 31 December 2019.

| | 31 December 2019 Decrease <i>RMB'000</i> | 1 January 2019 Decrease <i>RMB'000</i> |
|-------------------------------|--|--|
| Assets | | |
| Property, plant and equipment | 519,512 | 452,798 |
| Deferred tax assets | <u>23,596</u> | <u>23,389</u> |
| Total assets | <u><u>543,108</u></u> | <u><u>476,187</u></u> |
| Liabilities | | |
| Deferred tax liabilities | <u>110,783</u> | <u>95,561</u> |
| Total liabilities | <u><u>110,783</u></u> | <u><u>95,561</u></u> |
| Equity | | |
| Other reserves | 244,977 | 215,877 |
| Non-controlling interests | <u>187,348</u> | <u>164,749</u> |
| Total equity | <u><u>432,325</u></u> | <u><u>380,626</u></u> |

- 2) The Group re-assessed its accounting for business combination involving entities under common control. In previous years, the Group's business combination involving entities under common control were accounted by using the acquisition method in accordance with HKFRS 3. Following the Proposed Domestic Issue, the directors of the Group elected to change the method of accounting for business combination to pooling of interest method with applying retrospective adjustments to the earliest applicable date.

The table below illustrates the measurement of business combinations under common control from the acquisition method to the pooling of interests method as at 31 December 2019 and as at 1 January 2019.

| | 31 December 2019 Decrease <i>RMB'000</i> | 1 January 2019 Decrease <i>RMB'000</i> |
|-------------------------------|---|---|
| Assets | | |
| Property, plant and equipment | 14,879 | 6,967 |
| Right-of-use assets | 39,591 | 48,450 |
| Intangible assets | 6,379,431 | 6,490,955 |
| Goodwill | <u>13,808,050</u> | <u>13,808,050</u> |
| Total assets | <u><u>20,241,951</u></u> | <u><u>20,354,422</u></u> |
| Liabilities | | |
| Deferred tax liabilities | <u>950,891</u> | <u>964,745</u> |
| Total liabilities | <u><u>950,891</u></u> | <u><u>964,745</u></u> |
| Equity | | |
| Other reserves | 15,917,435 | 15,975,518 |
| Non-controlling interests | <u>3,373,625</u> | <u>3,414,159</u> |
| Total equity | <u><u>19,291,060</u></u> | <u><u>19,389,677</u></u> |
| | | 2019 Decrease <i>RMB'000</i> |
| Amortization and depreciation | | 112,471 |
| Income tax expense | | <u>16,871</u> |

2. OPERATING SEGMENT INFORMATION

The management considers the business from products/services perspective. The three reportable segments are as follows:

- (a) the chemical medicines and biopharmaceutical medicines segment comprises the manufacture, sale and distribution of the chemical medicine products and modernized Chinese medicine products;
- (b) the investment segment is engaged in long term and short term investments; and
- (c) the other segment comprises, principally, (i) the Group's R&D sector which provides services to third-party; and (ii) related healthcare and hospital business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

Segment assets exclude deferred tax assets and investments in associates as these assets are managed on a group basis.

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

The segment results for the year ended 31 December, 2020

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

The segment results for the year ended 31 December, 2019 (Restated)

| | Chemical medicines and biopharmaceutical medicines RMB'000 | Investment RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|-------------------------------|---------------------------|--------------------------|
| Segment revenue: | | | | |
| Sales to external customers | 23,672,033 | – | 561,997 | 24,234,030 |
| Segment results | | | | |
| | 5,851,631 | (276,204) | 67,108 | 5,642,535 |
| <i>Reconciliation:</i> | | | | |
| Interest and unallocated gains | | | | 214,809 |
| Share of profits and losses of associates | | | | 111,385 |
| Unallocated expenses | | | | (278,137) |
| Profit before tax | | | | 5,690,592 |
| Income tax expense | | | | (902,747) |
| Profit for the year | | | | 4,787,845 |
| Assets and liabilities | | | | |
| Segment assets | 24,905,665 | 10,041,753 | 1,200,983 | 36,148,401 |
| <i>Reconciliation:</i> | | | | |
| Investments in associates | | | | 808,443 |
| Other unallocated assets | | | | 557,348 |
| Total assets | | | | 37,514,192 |
| Segment liabilities | 7,649,238 | 8,061,009 | 629,629 | 16,339,876 |
| <i>Reconciliation:</i> | | | | |
| Other unallocated liabilities | | | | 613,134 |
| Total liabilities | | | | 16,953,010 |
| Other segment information: | | | | |
| Depreciation and amortisation | 1,391,222 | 26,130 | 28,259 | 1,445,611 |
| Capital expenditure | 1,641,649 | 207,989 | 287,948 | 2,137,586 |
| Other non-cash expenses | 2,489 | 427 | 922 | 3,838 |

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

| | For the year ended 31 December, | |
|----------------|---------------------------------|------------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited and restated) |
| Hong Kong | 5,618,466 | 1,579,943 |
| Mainland China | 9,751,140 | 9,004,023 |
| Others | 257,635 | 216,314 |
| | <u>15,627,241</u> | <u>10,800,280</u> |

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

Information about a major customer

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the year ended 31 December, 2020 and 2019.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is the Group's revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

| | For the year ended 31 December, | |
|----------------|---------------------------------|-------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) |
| Revenue | | |
| Sale of goods | 23,088,143 | 23,658,749 |
| Others | 559,081 | 575,281 |
| | <u>23,647,224</u> | <u>24,234,030</u> |

| | For the year ended 31 December, | |
|--|--|-----------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) |
| Other income | | |
| Bank interest income | 194,003 | 245,359 |
| Interest income from convertible bonds | – | 12,350 |
| Dividend income | 4,532 | 3,888 |
| Government grants | 116,469 | 235,464 |
| Sale of scrap materials | 89,258 | 16,004 |
| Investment income | 321,747 | 295,159 |
| Gross rental income | 6,946 | 7,253 |
| Others | 60,250 | 41,679 |
| | 793,205 | 857,156 |
| Gains | | |
| Gain on disposal of items of property, plant and equipment | 4,580 | 903 |
| Fair value gains, net | | |
| Equity investment at fair value through profit or loss | 19,978 | – |
| Financial assets designated as at fair value through profit or loss | 9,273 | 4,544 |
| Financial assets as at fair value through profit or loss (Non-current) | 414,187 | – |
| | 448,018 | 5,447 |
| Total other income and gains | 1,241,223 | 862,603 |

4. FINANCE COSTS

| | For the year ended 31 December, | |
|---|--|-----------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) |
| Interest on bank borrowings | 215,307 | 227,424 |
| Interest on lease liabilities | 6,550 | 2,526 |
| Effective interest expense of convertible bonds | 101,511 | – |
| | 323,368 | 229,950 |

5. PROFIT BEFORE TAX

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

| | For the year ended 31 December, | |
|---|--|---------------------------|
| | 2020 | 2019 |
| | RMB'000 | <i>RMB'000</i> |
| | (Audited) | (Audited and restated) |
| Cost of inventories sold | 5,182,320 | 4,926,268 |
| Depreciation of property, plant and equipment | 771,861 | 550,053 |
| Depreciation of investment properties | 44,684 | 26,206 |
| Depreciation of right-of-use assets | 74,800 | 82,526 |
| Amortization of other intangible assets | 763,491 | 786,826 |
| Research and development costs | 2,626,709 | 2,398,712 |
| Loss on disposal of items of property, plant and equipment | 593 | 14,785 |
| Share of profits and losses of associates | 3,233 | (111,385) |
| Bank interest income | (194,003) | (245,359) |
| Dividend income | (4,532) | (3,888) |
| Investment income | (321,747) | (295,159) |
| Fair value (gains)/loss, net: | | |
| Equity investments at fair value through profit or loss | (19,978) | 9,232 |
| Financial assets at fair value through profit or loss | (9,273) | (4,544) |
| Financial assets at fair value through profit or loss (non-current) | (414,187) | – |
| Financial liabilities at fair value through profit or loss | (88,009) | – |
| Minimum lease payments under operating leases: | | |
| Lease payments not included in the measurement of lease liabilities | 129,176 | 111,335 |
| Auditors' remuneration | 4,840 | 4,840 |
| Staff cost (including directors' remuneration) | | |
| Wages and salaries | 2,975,323 | 2,638,952 |
| Pension contributions | 589,024 | 538,916 |
| | 3,564,347 | 3,177,868 |
| Accrual of impairment loss of trade receivables | (3,082) | 15,527 |
| Impairment of interest in an associate | – | 6,500 |
| Impairment of financial assets included in prepayments, other receivables and other assets and amount due from related parties | 69,283 | 38,003 |
| Foreign exchange differences, net | 61,800 | 59,983 |

6. INCOME TAX EXPENSE

| | For the year ended 31 December, | |
|-------------------------------------|--|------------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited and restated) |
| Group: | | |
| Current – Hong Kong | – | – |
| Current – Mainland China income tax | 830,003 | 1,045,471 |
| Deferred tax | (157,626) | (142,724) |
| | <hr/> | <hr/> |
| Total tax charge for the year | <u>672,377</u> | <u>902,747</u> |

Pursuant to Section 6 of Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

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

Hong Kong profits tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

During the year ended 31 December, 2020, CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, CP Qingdao, LYG Runzhong and Shanghai Tongyong were subject to a corporate income tax rate of 15% because they are qualified as a “High and New Technology Enterprise”.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2020.

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

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of HK2 cents per ordinary share for the year ended 31 December, 2020 (2019: HK2 cents). Subject to the approval by the shareholders of the Company at the annual general meeting to be held on Monday, 7 June, 2021, the final dividend will be paid to shareholders on Monday, 12 July, 2021 whose names appear on the register of members of the Company on Friday, 25 June, 2021.

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

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 2 June, 2021 to Monday, 7 June, 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 1 June, 2021.
- (b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Tuesday, 22 June, 2021 to Friday, 25 June, 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 21 June, 2021.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent for the year of approximately RMB2,771,086,000 (2019: approximately RMB2,761,542,000), and the weighted average number of ordinary shares of 18,800,284,155 (2019: 18,811,056,402). The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended December 31, 2019 has been retrospectively adjusted for the effect of the Bonus share issue.

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

9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from 60 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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

| | 31 December, 2020 RMB'000 (Audited) | 31 December, 2019 RMB'000 (Audited) |
|---------------------|--|--|
| Current to 90 days | 2,289,584 | 2,188,169 |
| 91 days to 180 days | 519,447 | 440,407 |
| Over 180 days | 105,046 | 83,633 |
| | <u>2,914,077</u> | <u>2,712,209</u> |

10. CASH AND BANK BALANCES

| | 31 December, 2020 RMB'000 (Audited) | 31 December, 2019 RMB'000 (Audited) |
|--|--|--|
| Cash and bank balances, unrestricted | 6,596,500 | 4,340,181 |
| Time deposits with original maturity of less than three months | 4,027,694 | 6,291,029 |
| Time deposits with original maturity of more than three months | 634,890 | 1,280,000 |
| | <u>11,259,084</u> | <u>11,911,210</u> |

11. TRADE AND BILLS PAYABLES

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

| | 31 December, 2020 RMB'000 (Audited) | 31 December, 2019 RMB'000 (Audited) |
|---------------------|--|--|
| Current to 90 days | 970,392 | 1,219,488 |
| 91 days to 180 days | 717,441 | 549,226 |
| Over 180 days | 259,969 | 40,731 |
| | <u>1,947,802</u> | <u>1,809,445</u> |

12. SHARE CAPITAL

| | 31 December, 2020 RMB'000 (Audited) | 31 December, 2019 RMB'000 (Audited) |
|---|--|--|
| <i>Issued and fully paid:</i> 18,861,499,230 ordinary shares of HK\$0.025 each (2019: 12,588,304,487 ordinary shares of HK\$0.025 each) | <u>415,895</u> | <u>278,451</u> |

INDEPENDENT NON-EXECUTIVE DIRECTORS, AUDIT COMMITTEE AND REVIEW OF RESULTS

The Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules and has appointed sufficient number of INEDs including two with appropriate professional qualifications, or accounting or related financial management expertise. Biographies of the INEDs will be set out in the 2020 Annual Report of the Company.

The Audit Committee is comprised of four INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31 December, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December, 2020, the Company bought back 17,681,000 Shares on the Stock Exchange at a consideration of HK\$154,784,442 before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

| Month | Number of Shares bought back | Purchase consideration per Share | | Consideration paid HK\$ |
|---------|------------------------------------|----------------------------------|----------------|-------------------------------|
| | | Highest HK\$ | Lowest HK\$ | |
| March | 5,979,000 | 10.22 | 9.76 | 60,700,000 |
| April | 574,000 | 10.28 | 10.22 | 5,885,880 |
| October | 11,128,000 | 7.96 | 7.83 | 88,198,562 |

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

By Order of the Board
Sino Biopharmaceutical Limited
Tse, Theresa Y Y
Chairwoman

Hong Kong, 23 March, 2021

As at the date of this announcement, the Board of the Company comprises nine Executive Directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Li Yi, Mr. Wang Shanchun, Mr. Tian Zhoushan and Ms. Li Mingqin and five Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong, Mr. Zhang Lu Fu and Mr. Li Kwok Tung.