Simcere Pharmaceutical Group Limited
先聲藥業集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 2096)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

Business Highlights

As at December 31, 2020, the Group had two innovative pharmaceuticals approved for sale within the year: Sanbexin (edaravone and dexborneol concentrated solution for injection), category I innovative pharmaceutical, and Orencia (abatacept injection), imported registered innovative pharmaceutical. Sanbexin has been included into the "Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2020)" released on December 28, 2020, and will benefit more patients suffering from stroke in the future.

As at December 31, 2020, the Group had more than 50 innovative product candidates in its R&D pipeline, with over 20 new projects established as compared to the beginning of the year. During the year, the Group obtained six IND approvals, had one IND application accepted for approval and 11 projects at clinical development stage.

The proportion of sales revenue from innovative pharmaceuticals of the Group grew year-to-year, contributed 25.5%, 32.9% and 45.1% of the total revenue for the years ended December 31 2018, 2019 and 2020, respectively.

Financial Highlights

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

- Revenue of approximately RMB4,509 million, representing a decrease of approximately 10.5% as compared with that for the year ended December 31, 2019;
- Research and development costs of approximately RMB1,142 million, representing an increase of approximately 59.4% as compared with that for the year ended December 31, 2019, which accounted for approximately 25.3% of the revenue;
- Profit for the year of approximately RMB664 million, representing a decrease of approximately 33.8% as compared with that for the year ended December 31, 2019; and
- Earnings per share of approximately RMB0.28, representing a decrease of approximately 34.9% as compared with that for the year ended December 31, 2019.

Company Overview

Simcere Pharmaceutical Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), now rapidly transitioning to an innovation and R&D-driven pharmaceutical company, has R&D, production and professional marketing capabilities.The Group is committed to providing today's patients with medicines of the future.

The Group focuses on three therapeutic areas, oncology, central nervous system diseases and autoimmune diseases. In each of these three areas, the Group has category I innovative pharmaceuticals approved for sale. The proportion of revenue from innovative pharmaceuticals of the Group grew year-to-year, contributed 25.5%, 32.9% and 45.1% of the total revenue for the years ended December 31 2018, 2019 and 2020, respectively.

As at December 31, 2020, the Group had two innovative pharmaceuticals approved for sale during the year: Sanbexin (edaravone and dexborneol concentrated solution for injection), category I innovative pharmaceutical, and Orencia (abatacept injection), imported registered innovative pharmaceutical. Sanbexin has been included into the "Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance ("**NRDL**") (2020)" released on December 28, 2020, and will benefit more patients suffering from stroke in the future.

Attaching great importance to innovative pharmaceutical R&D, the Group devotes itself to research and increases the R&D investment year on year. For the full year of 2020, the Group's investment in R&D amounted to RMB1,142 million, accounting for approximately 25.3% of the revenue, representing an increase of approximately 59.4% as compared with the prior year. The Group has three innovative drug R&D centers located in Shanghai, Nanjing in the People's Republic of China ("**PRC**" or "**China**") and Boston in the United States of America ("**U.S.**"or "**United State**"), with a R&D team of over 900 staff. The Group has more than 50 innovative product candidates in its R&D pipeline, with over 20 new projects established as compared to the beginning of 2020. During the year, the Group obtained six Investigational New Drug ("**IND**") approvals, had one IND application accepted for approval and 11 projects at clinical development stage. The Group also has introduced several high-value innovative pharmaceutical projects through external collaborations, including KN035 (the partner's marketing application for this product was accepted by the National Medical Products Administration of the PRC (the "**NMPA**") in December 2020) and Trilaciclib (the partner's marketing application for this product was approved by the Food and Drug Administration of the United States (the "**U.S. FDA**") in February 2021). It will continuously promote the research and development of innovative pharmaceuticals and bring more drugs with better efficacy to patients through the dual-drive mode of independent R&D and R&D cooperation.

The Group continuously expands its marketing team and improves the professional marketing level. As at December 31, 2020, it has approximately 4,000 salespersons, representing an increase of approximately 1,100 as compared to June 30, 2020, laying a foundation for the marketing of innovative pharmaceuticals.

Major products

Oncology Products	:	Endostar (recombinant human endostatin injection) Jepaso (nedaplatin for injection) Sinofuan (5-fluorouracil implants)
Central Nervous System Products	:	Sanbexin (edaravone and dexborneol concentrated solution for injection) Bicun (edaravone injection)
Autoimmune Products	:	Iremod (iguratimod tablets) Orencia (abatacept injection) Yingtaiqing (diclofenac sodium sustained release capsules/gel)
Other Products	:	Newanti (biapenem for injection) Softan (rosuvastatin calcium tablets) ZAILIN (amoxicillin granules/dispersible tablets/capsules) XINTA (levamlodipine besylate tablets)

On January 8, 2020, Orencia (abatacept injection), an imported and registered innovative pharmaceutical, obtained the Import Drug License issued by the NMPA. According to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. ("**Frost & Sullivan**"), it became the first and only soluble CTLA4-Fc fusion protein approved for sale in China and the first and only selective T-cell co-stimulation immunomodulator in rheumatoid arthritis area worldwide.

On March 19, 2020, the workshop for oral solid dosage forms of Nanjing production facility passed the on-site inspection of the U.S. FDA with zero defect.

On July 29, 2020, the category I innovative pharmaceutical Sanbexin (edaravone and dexborneol concentrated solution for injection) obtained the drug registration certificate issued by the NMPA. It is a category I innovative drug that the Group has the proprietary intellectual property right; it is also the only innovative pharmaceutical for the treatment of stroke to obtain approval for sale in the past five years worldwide. The drug wins the honor of National Major Scientific and Technological Special Project for Significant New Drug Development during the 13th Five-Year Plan Period (國家十三五「重大新藥創制」科技重大專項). On February 16, 2021 (the U.S. time), data of the phase III clinical study of Sanbexin was published in the international authoritative medical journal STROKE.

On November 16, 2020, Jiangsu Simcere Biological Pharmaceutical Co., Ltd. (江蘇先聲生物製藥有限公司), the antibody production arm of the Group, obtained the Pharmaceutical Manufacturing Permit issued by the NMPA.

Website of the Group: http://www.simcere.com/

Industry Review

In 2020, the COVID-19 pandemic brought challenge and test to the economic development of China. With the post-epidemic "new normal" of China and the active promotion of reform by the State in various aspects, the pharmaceutical industry continues to face with new development and opportunities.

On the one hand, China has introduced policies to propel evaluation of various innovative pharmaceuticals in an effort to gradually align with the international evaluation system, which, together with the capital market that provides a smooth financing channel for innovative pharmaceutical companies, vigorously promoted the boom of innovative pharmaceutical research and development. Global technological advances and the integration of translational medicine and innovative pharmaceuticals in practice continued to introduce highly innovative pharmaceuticals and to provide clinical treatment methods of better efficacy. In the future, companies with a strong R&D and innovation power and a growing pipeline of pharmaceuticals will continuously raise the barrier to competitors and win the respect of doctors and patients.

On the other hand, on March 5, 2020, the State Council released the Opinions of the CPC Central Committee and the State Council on Deepening the Reform of Medical Insurance System, proposing to adjust the NRDL, incorporate drugs, diagnosis items and medical consumables of high clinical value and excellent pharmacoeconomics evaluation into the scope of medical insurance reimbursement, standardize the reimbursement scope for medical services and facilities, improve the NRDL dynamic adjustment mechanism and the medical insurance access negotiation system. The document put forward a top-level plan for the medical insurance system reform and set the overall reform objective and approach for the construction of medical insurance system in the next 5-10 years. The increasing population coverage of medical insurance, the increasing frequency of national negotiations on the NRDL, and the implementation of centralized procurement and rational use of drugs, are driving pharmacoeconomics to play an increasingly important role in payment. The commercialisation capabilities of pharmaceutical companies, as a part in the monetization-oriented transformation of innovation achievements, will play a vital and indispensable role.

The pandemic brings more social attention to healthcare enterprises. In the meantime, as China's pharmaceutical industry enters the dramatic reform stage, pharmaceutical enterprises need to build the comprehensive ability to pursue both product innovation and commercialization breakthrough, so that they can bring drugs with better efficacy to clinical patients on a continuous basis and therefore win in the competition.

Business Review

During the year, the Group made the following achievements and progress:

On January 8, 2020, Orencia (abatacept injection), the imported innovative pharmaceutical under the cooperation of the Group and Bristol Myers Squibb ("**BMS**"), obtained the Import Drug License issued by the NMPA. According to Frost & Sullivan, it became the first and only soluble CTLA4-Fc fusion protein approved for sale in China and the first and only selective T-cell co-stimulation immunomodulator in rheumatoid arthritis area worldwide.

In March 2020, the Group entered into collaboration agreements with Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司) and 3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司), which have granted the Group an exclusive right to promote Envafolimab (KN035) for all oncology indications in China, potentially the first subcutaneously injectable anti-PD-L1 domain antibody worldwide. On December 17, 2020, the NMPA accepted the biologic license application ("**BLA**") for Envafolimab in the treatment of advanced solid tumors with microsatellite instability-high ("**MSI-H**") phenotype/mismatch-repair deficiency ("**dMMR**"), and included the product into the list of priority review in January 2021. The U.S. FDA also rewarded the product with orphan drug designation in treating advanced biliary tract cancer on January 18, 2020.

On July 29, 2020, Sanbexin (edaravone and dexborneol concentrated solution for injection), category I innovative pharmaceutical developed independently by the Group, obtained the drug registration certificate issued by the NMPA. It is the only innovative pharmaceutical for the treatment of stroke to obtain approval for sale in the past five years worldwide. On December 28, 2020, Sanbexin was admitted into the NRDL(2020) released during the same period.

On August 12, 2020, Aijiewei (tofacitinib citrate tablets), category IV generic pharmaceutical developed independently by the Group, was approved for marketing by the NMPA. The product won the bidding in the third round of centralized procurement of drugs in the same month. Categorized in the Part B of the NRDL, it is also included in China Rheumatoid Arthritis Diagnosis and Treatment Guidelines 2018 (《2018年中國類風濕關節炎診療指南》), having the same status as TNF-α inhibitors and IL-6 inhibitors. Being JAK kinase inhibitor, the product strengthens the Group's autoimmune disease products portfolio.

On August 13, 2020, the Group signed the license agreement with U.S.-based G1 Therapeutics, INC. (Nasdaq: GTHX) ("**G1**") for the innovative pharmaceutical Trilaciclib. Trilaciclib, product of the partner G1, was designated as a breakthrough therapy by the U.S. FDA. In August 2020, the U.S. FDA has accepted the new drug application (the "**NDA**") filed by G1 Therapeutics, INC, for Trilaciclib for small-cell lung cancer patients being treated with chemotherapy and granted the approval for the products to be used in lowering the incidence rate of chemotherapy-induced myelosuppression in the extensive stage of adult SCLC patients on February 12, 2021. The Group received the Clinical Trial Approval approved and issued by the Center for Drug Evaluation of NMPA, PRC ("**CDE**") on January 18, 2021.

On November 3, 2020, Simcere Pharmaceutical Animal Laboratory (先聲藥業動物實驗中心) passed the certification of Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC), representing that Group's laboratory animal quality and animal facility management level have met international standards.

During the year, the Group obtained six IND approvals for products in its innovative pharmaceutical pipeline, including SIM-201 (NTRK/ROS1, for oncology), SIM-295 (URAT1, for gout with hyperuricemia), iguratimod tablets (for Sjög-ren's syndrome) and etc. In addition, the Group had three IND applications accepted (all of which have been approved as at the date of this annual results announcement for the year of 2020), including sevacizumab (VEGF, for ovarian cancer), Y-2 sublingual tablets (edaravone and dexborneol sublingual tablets, for acute ischemic stroke) and Trilaciclib (CDK4/6, for chemotherapy-induced myelosuppression).

During the year, to ensure the speed and efficiency of commercial promotion in the marketing of new products and improve its product coverage, the Group continued to expand the marketing team with approximately 1,100 salespersons newly added as compared with that as at June 30, 2020. Meanwhile, the Group continued to enhance its training efforts and improved the professional academic marketing ability of the marketing team.

For the year ended December 31, 2020, the Group recorded revenue of approximately RMB4,509 million, representing a decrease of approximately 10.5% from the prior year. Profit for the year reached approximately RMB664 million, representing a decrease of approximately 33.8% from the prior year. Earnings per share amounted to approximately RMB0.28, representing a decrease of approximately 34.9% from the prior year.

Revenue

Most of the Group's revenue was generated from sales of pharmaceutical products. Our products primarily concentrated on the strategically focused therapeutic areas: oncology diseases, central nervous system diseases and autoimmune diseases. The decrease of total revenue was mainly due to the decrease in sales revenue of Bicun (edaravone injection) for failing to be included in the Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance issued in August 2019 and coming into effect in January 2020.

Oncology Products

Our main products in this therapeutic area include Endostar (recombinant human endostatin injection), Jepaso (nedaplatin for injection) and Sinofuan (5-fluorouracil implants). During the year ended December 31, 2020, revenue from the oncology product portfolio reached approximately RMB1,255 million, accounting for approximately 27.8% of the Group's total revenue.

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

Central Nervous System Products

Our main products in this therapeutic area include Sanbexin (edaravone and dexborneol concentrated solution for injection), the innovative pharmaceutical launched in 2020, and Bicun (edaravone injection), the first-to-market generic pharmaceutical. On December 28, 2020, Sanbexin was included into the NRDL (2020), which will become effective on March 1, 2021. During the year ended December 31, 2020, revenue from the central nervous system product portfolio reached approximately RMB704 million, accounting for approximately 15.6% of the Group's total revenue.

Sanbexin (edaravone and dexborneol concentrated solution for injection) is a category I innovative drug developed independently by the Group with proprietary intellectual property right. According to Frost & Sullivan, it is the only pharmaceutical for the treatment of stroke to obtain approval for sale in the past five years worldwide. Sanbexin incorporated approximately 1,200 acute ischemic stroke patients into the phase III clinical trial, and conducted randomized, double-blind, positive controlled, head to head comparison with edaravone monotherapy. Data shows that Sanbexin has the efficacy advantage. Launched to the market, the product brings treatment of better efficacy to acute ischemic stroke patients.

Autoimmune Products

Our main products in this therapeutic area include Iremod (iguratimod tablets), Orencia (abatacept injection) and Yingtaiqing (diclofenac sodium sustained release capsules/gel). During the year ended December 31, 2020, revenue from the autoimmune product portfolio reached approximately RMB1,119 million, accounting for approximately 24.8% of the Group's total revenue.

Iremod (iguratimod tablets), the first iguratimod pharmaceutical product approved for sale in the world and the only of its kind approved for sale in China, is the only small molecule DMARD that is developed independently and marketed in China in the recent ten years. Iguratimod has been included in the NRDL since 2017 and is recommended as the primary therapy drug for the treatment of active rheumatoid arthritis by a number of clinical practice guidelines and pathways issued by the NHC, Chinese Medical Association, Asia Pacific League of Associations for Rheumatology and the Ministry of Health, Labor and Welfare of Japan. Currently, we are actively promoting the indication expansion program on Sjög-ren's syndrome for this product.

According to Frost & Sullivan, Orencia (abatacept injection) is the first innovative biologics developed for the PRC Market by a China-based company jointly with a leading global pharmaceutical company. It is the first and only soluble CTLA4-Fc fusion protein approved for sale in China and the first and only selective T-cell co-stimulation immunomodulator in rheumatoid arthritis area worldwide. Abatacept injection is an innovative biologics for the treatment of moderate to severe rheumatoid arthritis. It may be used in combination with other disease-modifying anti-rheumatic drugs ("**DMARDs**") (other than TNF-α inhibitors), such as methotrexate, to treat moderate to severe active rheumatoid arthritis patients who do not respond favorably to other DMARDs. Abatacept injection distinguishes itself by proven efficacy, safety and patient compliance. The product is developed by BMS, and the Group has been granted the right for developing, registering and commercializing the product in China. According to Frost & Sullivan, sales revenue of the product in the world has increased to USD3.2 billion in 2019.

Other Products

Our main products in these therapeutic areas include the first generic drug Newanti (biapenem for injection), Softan (rosuvastatin calcium tablets), ZAILIN (amoxicillin granules/dispersible tablets/capsules) and Xinta (Levamlodipine besylate tablet). During the year ended December 31, 2020, revenue from the said product portfolio reached approximately RMB1,152 million, accounting for approximately 25.6% of the Group's total revenue.

Research and Development

During the year ended December 31, 2020, R&D expenditure amounted to approximately RMB1,142 million, accounting for approximately 25.3% of the revenue. R&D expenditure of the year increased approximately 59.4% as compared with the prior year.

The research of the Group follows the dual-drive strategy of independent R&D and R&D cooperation. In the past year, we further increased the investment in independent R&D, including the construction of innovative pharmaceutical R&D platform and the clinical trial expenditure; in addition, we continued to cooperate with distinguished pharmaceutical enterprises at home and abroad, trying to bring drugs with better efficacy to patients at an early date.

The Group's R&D strategy continues to focus on the three advantageous therapeutic areas: oncology, central nervous system and autoimmune, and develops products covering both small molecule chemical drugs and large molecule biologics. The Group pays high attention to the building of innovative pharmaceutical R&D ability, and establishes R&D centers in Shanghai, Nanjing and Boston. As at December 31, 2020, the Group had over 900 R&D fellows, including over 130 doctors and 460 masters. The number of the Group's R&D fellows increased by approximately 170 as compared with that as at June 30, 2020. The drug R&D of the Group has realized functions covering the whole process from drug discovery, clinical trial to registration, and possessed a national key laboratory of translational medicine and innovative pharmaceuticals.

Meanwhile, the Group attaches great importance to the protection of intellectual property rights. During the year ended December 31, 2020, the Group had 89 new patent applications (including domestic and overseas unpublished patents applications): 78 invention patent applications, 7 utility model patent applications and 4 appearance design patent applications. As at December 31, 2020, the Group has accumulatively obtained 168 licensed invention patents, 63 licensed utility model patents and 15 licensed appearance design patents.

As at December 31, 2020, the Group has over 50 innovative pharmaceutical projects in its R&D pipeline, of which 11 products were in the stage of clinical study, including:

(1) Oncology: sevacizumab (communication with CDE regarding the phase III clinical study protocol has completed recently), pegylated recombinant human endostatin for injection, docetaxel polymeric micelles for injection, SIM-201 (the second generation inhibitor of NTRK/ROS1), and etc.

(2) Central nervous system: Y-2 sublingual tablets (edaravone and dexborneol sublingual tablets, for which communication with CDE regarding the phase III registration study protocol has completed recently).

(3) Autoimmune: SIM-335 (IL-17 pathway modulator), iguratimod tablets (new indications), SIM-295 (URAT1).

During the year ended December 31, 2020, the Group submitted marketing applications for six generic drugs, including nifedipine controlled-release tablets, palbociclib capsules, apremilast tablets, bendamustine hydrochloride for injection, mycophenolate mofetil capsules and Tenofovir Alafenamide Fumarate tablets. Meanwhile, it filed the application for and completed four consistency evaluation cases regarding pemetrexed disodium for injection, bortezomib for injection, nedaplatin for injection and amoxicillin and clavulanate potassium tablets.

With regard to cooperation, the Group actively builds relationship and cooperation with distinguished domestic and overseas pharmaceutical enterprises. In March 2020, the Group was granted by our business partners an exclusive right to promote Envafolimab (KN035) for all oncology indications in China, which is potentially the first subcutaneously injectable PD-L1 domain antibody medicine worldwide. On December 17, 2020, the NMPA accepted the BLA for Envafolimab in the treatment of advanced solid tumors with MSI-H/dMME, and included it into the list of priority review in January 2021.

In August 2020, the Group signed the license agreement with G1 Therapeutics, INC. for the innovative drug Trilaciclib. Trilaciclib, product of the partner G1, was designated as a breakthrough therapy by the U.S. FDA, with an aim to improve prognosis of cancer patients treated with chemotherapy. In August 2020, G1 Therapeutics, INC. filed with the U.S. FDA the NDA for Trilaciclib, which has been approved by the U.S. FDA on February 12, 2021. This product is expected to be used in lowering the incidence rate of chemotherapy-induced myelosuppression in the extensive stage of adult SCLC patients. On November 13, 2020, the Group received the Notice for Acceptance of Clinical Trial Application (藥物臨床試驗申請受理通知書) issued by CDE on the product, and it received the Clinical Trial Approval for Small-cell Lung Cancer approved and issued by the CDE on January 18, 2021. Then on February 2, 2021, the Group received the Notice for Acceptance of Clinical Trial Application for Colorectal Carcinoma issued by the CDE.

Liquidity and Financial Resources

For the year ended December 31, 2020, net cash inflow generated from operating activities of the Group amounted to approximately RMB97 million. Capital expenditure of the year amounted to approximately RMB353 million, which was mainly used for the construction of plants and the purchase of equipments and motor vehicles for production, research and development as well as administrative activities. Cash flow from financing activities of the year mainly refers to the net proceeds from our listing amounting to approximately RMB3,003 million.

The Group maintained a sound financial position. As at December 31, 2020, we had cash and cash equivalents of approximately RMB3,270 million (as at December 31, 2019: approximately RMB355 million), pledged deposits of approximately RMB917 million (as at December 31, 2019: RMB291 million). As at December 31, 2020, our pledged deposits were mainly used as guarantees of certain banking facilities granted to the Group. As at December 31, 2020, the Group had a balance of bank loans of RMB3,068 million (as at December 31, 2019: RMB2,783 million), of which RMB1,793 million (as at December 31, 2019: RMB1,644 million) would mature within one year. The Group's bank loans are mainly denominated in RMB, with some loans denominated in Euro and USD. As at December 31, 2020, the gearing ratio of the Group (total liability divided by total asset) was approximately 51.2% (as at December 31, 2019: approximately 78.1%).

Most assets and liabilities of the Group were denominated in RMB, USD and Euro. Currently, the Group does not employ any financial instruments or enter into any foreign exchange contracts to hedge against foreign exchange risk. However, by closely monitoring the net exposure of foreign exchange risk, the Group managed the foreign exchange risk, thus minimizing the impact of foreign exchange fluctuations.

Pledge of Group's Assets

As at December 31, 2020, approximately RMB916 million bank deposit and approximately RMB172 million land and buildings were secured as guarantees of certain banking credits granted to the Group.

Contingent Liabilities

As at December 31, 2020, the Group had no material contingent liabilities.

Significant Investments Held

During the year ended December 31, 2020, the Group did not have any significant investments.

Future Plans for Material Investments and Capital Assets

As at December 31, 2020, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals

During the year ended December 31, 2020, we conducted several material acquisitions and disposals. For details, please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – Capital Increase in BCY Pharm", "History, Reorganization and Corporate Structure – Post-Track Record Period Acquisition", "Note 15 – Interest in Associates" of "Appendix I – Accountants' Report" and "Note 41 – Subsequent Events" of "Appendix I – Accountants' Report" to the prospectus of the Company dated October 13, 2020 (the "**Prospectus**").

Employees and Remuneration Policy

As at December 31, 2020, the Group had a total of 6,512 full-time employees. We attached great importance to the recruitment, training and retention of outstanding employees, maintaining a high standard in selecting and recruiting talents worldwide, and offers competitive compensation packages. The remuneration of employees mainly included basic salary, performance-based bonus and long-term incentives. During the year ended December 31, 2020, staff costs (including emoluments of directors of the Group (the "**Directors**"), social insurance and other benefits) amounted to approximately RMB1,158 million. We established Simcere Institute, providing employees with training services on a regular basis, including orientation programs and technical training for new employees, professional and management training for middle and senior management and health and safety training across all staff. We also offered a large number of trainings on professional knowledge to the sales and marketing team.

FINAL DIVIDEND

On March 25, 2021, the board of directors (the "**Board**") of the Group declared the payment of final dividend of RMB0.15 per Share for the year ended December 31, 2020 to shareholders whose names are on the register of members of the Group on Tuesday, July 6, 2021. The proposed final dividend will be subject to the approval at the annual general meeting of the Group (the "**AGM**") to be held on Friday, June 25, 2021 and is expected to be distributed to shareholders on or before Friday, July 16, 2021.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the initial public offering of the shares of the Company in October 2020 and allotment and issuance of shares pursuant to the partial exercise of the over-allotment option in November 2020 amounted in aggregate to approximately HK$3,513 million. The proposed use of the net proceeds was disclosed in the Company's Prospectus. As at December 31, 2020, the net proceeds utilized was approximately HK$443 million and the remaining net proceeds was approximately HK$3,070 million. As at December 31, 2020, the net proceeds utilized by the Group were as follows:

Purpose	Percentage of the total amount	Net amount of raised funds received (HK$ in million)	Net amount of raised funds unutilized from October 27,2020 (the "Listing Date") to December 31, 2020 (HK$ in million)	Net amount of raised funds utilized as at December 31, 2020 (HK$ in million)	Expected timeline for utilization
Continued research and development of our selected product candidates in our strategically focused therapeutic areas	60%	2,107.85	2,088.05	19.80	The actual net proceeds are expected to be fully utilized by 2027.
Reinforcement of our sales and marketing capabilities	10%	351.31	334.49	16.82	The actual net proceeds are expected to be fully utilized by 2022.
Investment in companies in the pharmaceutical or biotechnology sector	10%	351.31	351.31	–	The actual net proceeds are expected to be fully utilized by 2023.
Repayment of certain of our outstanding bank loans	10%	351.31	–	351.31	The actual net proceeds have been fully utilized in 2020.
Working capital and other general corporate purposes	10%	351.31	295.81	55.50	The actual net proceeds are expected to be fully utilized by 2022.
Total	**100%**	**3,513.09**	**3,069.66**	**443.43**	

For more details, please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" of the Prospectus. The Company intends to apply the unutilised net proceeds as at December 31, 2020 in the manner and proportion set out in the Prospectus.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended December 31, 2020.

Material Events after the Reporting Period

As at the date of this announcement, the Group has no disclosable material events after the reporting period.

Compliance with the Corporate Governance Code

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

Save as disclosed herein, the Group has complied with the code provisions contained in the CG Code during the period from the Listing Date up to December 31, 2020.

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

Compliance with the Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code since the Listing Date and up to December 31, 2020.

Audit Committee and Review of Financial Information

The Group established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. WANG Xinhua (Chairman), Mr. SONG Ruilin and Mr. WANG Jianguo. Mr. WANG Xinhua possesses the appropriate professional qualifications and accounting and related financial management expertise. The main duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board.

Members of the Audit Committee have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the annual results and the consolidated financial statements of the Group for the year ended December 31, 2020.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Auditing and Assurance Standards Boards and consequently no assurance has been expressed by the auditor.

Annual General Meeting

The AGM will be held on Friday, June 25, 2021. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Group's register of members will be closed from Tuesday, June 22, 2021 to Friday, June 25, 2021, both days inclusive, during which no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Group shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Group's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, June 21, 2021.

In order to determine the entitlement of shareholders to the proposed final dividend, the register of members of the Group will be closed from Friday, July 2, 2021, to Tuesday, July 6, 2021 (both days inclusive), during which no transfer of shares will be registered. All transfer documents together with the relevant share certificates must be lodged with the Group's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Wednesday, June 30, 2021.

Publication of the Annual Results and Annual Report

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Group (www.simcere.com). The Group's 2020 annual report will be dispatched to shareholders and will be published on the aforementioned websites in due course.

Prospects

In the post-pandemic era, pharmaceutical enterprises, being a key focus in China's real economic development, will increasingly highlight the pro-social characteristics and social values of the industry. The in-depth health-care reform, accelerated registration and expansion of NRDL will continue to boost the prosperous development of innovative pharmaceutical business and bring more clinically favourable products.

In such a strong environment of innovation, the Group insisted on the strategic direction of rapid transformation towards innovation, fully utilising its own understanding of patient needs and quality innovation, to attract more outstanding scientists and core talents to join us, and to increase the investment of innovation capital. All these efforts aim at strengthening our core competitiveness in terms of strategy execution, establishment of innovative pharmaceutical projects, clinical project advancement, collaborative development and commercialisation, increasing the clinical value of our products, so that more effective pharmaceuticals can be delivered to patients as soon as possible. On this basis, the Group will also make unremitting efforts to achieve steady growth. With an ever-richer pipeline of innovative pharmaceuticals and ever-growing R&D and commercialisation capabilities, we have the confidence and strength to enter a brand new phase of growth.

Appreciation

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended December 31, 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Revenue	*3*	**4,508,720**	5,036,658
Cost of sales		**(899,927)**	(888,486)
Gross profit		**3,608,793**	4,148,172
Other revenue	*4(a)*	**114,964**	91,507
Other net gain	*4(b)*	**326,924**	15,941
Research and development costs		**(1,141,996)**	(716,412)
Selling and distribution expenses		**(1,570,373)**	(2,016,222)
Administrative and other operating expenses		**(411,476)**	(351,676)
Profit from operations		**926,836**	1,171,310
Finance income	*5(a)*	**26,248**	34,724
Finance costs	*5(a)*	**(133,729)**	(115,955)
Net finance costs		**(107,481)**	(81,231)
Share of losses of associates		**(13,874)**	(8,129)
Share of losses of a joint venture		**(393)**	(135)
Profit before taxation	*5*	**805,088**	1,081,815
Income tax	*6*	**(140,801)**	(78,191)
Profit for the year		**664,287**	1,003,624
Attributable to:			
Equity shareholders of the Company		**669,534**	1,003,624
Non-controlling interest		**(5,247)**	–
Profit for the year		**664,287**	1,003,624
Earnings per share	*8*		
Basic and diluted *(RMB)*		**0.28**	0.43

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Profit for the year		**664,287**	1,003,624
Other comprehensive income for the year (after tax adjustments)	*7*		
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income (FVOCI) – net movement in fair value reserves (non-recycling), net of tax		**211,287**	(8,070)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of entities with functional currencies other than Renminbi ("**RMB**")		**(94,954)**	5,119
Other comprehensive income for the year		**116,333**	(2,951)
Total comprehensive income for the year		**780,620**	1,000,673
Attributable to:			
Equity shareholders of the Company		**785,867**	1,000,673
Non-controlling interest		**(5,247)**	–
Total comprehensive income for the year		**780,620**	1,000,673

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Non-current assets			
Property, plant and equipment		**2,127,879**	1,869,740
Intangible assets		**77,108**	33,768
Goodwill		**172,788**	142,474
Interest in associates		**211,148**	159,364
Interest in a joint venture		**4,672**	5,065
Prepayments and deposits		**113,534**	325,090
Financial assets at fair value through other comprehensive income		**327,655**	157,189
Financial assets at fair value through profit or loss		**1,231,701**	901,841
Deferred tax assets		**210,093**	274,698
		4,476,578	3,869,229
Current assets			
Financial assets at fair value through profit or loss		**–**	543,938
Trading securities		**3,634**	3,058
Inventories		**262,673**	248,174
Trade and bills receivables	*9*	**1,871,012**	1,336,916
Prepayments, deposits and other receivables		**120,557**	119,483
Taxation recoverable		**21,335**	306
Pledged deposits	*10*	**917,377**	290,962
Restricted deposits	*10*	**3**	–
Cash and cash equivalents	*10*	**3,270,241**	354,804
		6,466,832	2,897,641
Current liabilities			
Bank loans	*11*	**1,792,940**	1,643,978
Lease liabilities		**38,098**	26,206
Trade and bills payables	*12*	**242,077**	254,851
Other payables and accruals	*13*	**1,323,343**	1,417,945
Taxation payable		**–**	85,525
Provision	*14*	**100,700**	–
		3,497,158	3,428,505
Net current assets/(liabilities)		**2,969,674**	(530,864)
Total assets less current liabilities		**7,446,252**	3,338,365

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

As at December 31, 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Non-current liabilities			
Bank loans	*11*	**1,275,550**	1,139,171
Lease liabilities		**193,430**	131,601
Deferred income		**447,950**	470,525
Deferred tax liabilities		**193,598**	116,604
		2,110,528	1,857,901
NET ASSETS		**5,335,724**	1,480,464
CAPITAL AND RESERVES			
Share capital		**3,002,871**	210
Reserves		**2,298,918**	1,480,254
Total equity attributable to equity shareholders of the Company		**5,301,789**	1,480,464
Non-controlling interest		**33,935**	–
TOTAL EQUITY		**5,335,724**	1,480,464

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

1 GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated and have approved for issue by the Board of Directors on March 25, 2021. They have been prepared in accordance with all applicable Hong Kong Financial Reporting Standard ("**HKFRS**") using the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial information relating to the financial year ended December 31, 2020 that is included in this preliminary annual results announcement does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

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

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended December 31, 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 16, Covid 19-Related Rent Concessions

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	2020	2019
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**4,229,788**	4,800,323
Promotion service income	**278,932**	236,335
	4,508,720	5,036,658

The Group's revenue from contracts with customers was recognized at point in time for the year ended December 31 2020.

The Group's customer base is diversified and nil (2019: nil) customers with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31 2020.

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

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

(b) Segment reporting

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

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

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

4 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	2020	2019
	RMB'000	*RMB'000*
Government grants *(Note)*	**88,647**	65,885
Rental income	**10,029**	15,198
Property management income	**4,847**	3,911
Consulting and technology service income	**3,369**	2,614
Others	**8,072**	3,899
	114,964	91,507

Note:

During the year ended December 31, 2020, the Group received unconditional government grants of RMB54,783,000 (2019: RMB40,568,000) as rewards of the Group's contribution to technology innovation and regional economic development.

During the year ended December 31, 2020, the Group received conditional government grants of RMB9,886,000 (2019: RMB166,538,000) as subsidies for plant relocation and construction and recognized such grants of RMB32,384,000 (2019: RMB10,255,000) in the consolidated statements of profit or loss when related conditions were satisfied. During the year ended December 31 2020, the Group received conditional government grants of RMB9,620,000 (2019: RMB3,700,000) as encouragement of technology research and development and recognized such type of grants of RMB1,480,000 (2019: RMB15,062,000) in the consolidated statements of profit when related conditions were satisfied.

(b) Other net gain

	2020 *RMB'000*	2019 *RMB'000*
Net foreign exchange loss	**(46,228)**	(1,633)
Net loss on disposal of property, plant and equipment	**(3,361)**	(3,483)
Net realized and unrealized gains on trading securities	**627**	819
Net realized and unrealized gains on financial assets at fair value through profit or loss	**464,309**	20,238
Net gain on disposal of interest in associate	**8,963**	–
Net gain on disposal of a subsidiary	**1,552**	–
Gain arising from business combination	**1,762**	–
Provision for penalty	**(100,700)**	–
	326,924	15,941

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2020 *RMB'000*	2019 *RMB'000*
Interest income from bank deposits	**(26,118)**	(13,373)
Interest income from loans to related parties	**(130)**	(21,351)
Finance income	**(26,248)**	(34,724)
Interest expenses on bank loans	**133,559**	108,661
Interest expenses on loans from related parties	**298**	6,606
Interest expenses on lease liabilities	**9,253**	7,122
Less: borrowing costs capitalized as construction in progress *(Note)*	**(9,381)**	(6,434)
Finance costs	**133,729**	115,955
Net finance costs	**107,481**	81,231

Note:

The borrowing costs for the year ended December 31, 2020 have been capitalized at rate 4.35% (2019: 4.35%).

(b) Staff costs

	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**1,096,326**	884,604
Contributions to defined contribution retirement plans	**28,548**	49,421
Equity settled share-based payment expenses	**32,797**	14,151
	1,157,671	948,176

(c) Other items

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories recognized as expenses *(Note i)*	**679,972**	677,361
Depreciation charge		
– owned property, plant and equipment	**158,634**	105,818
– right-of-use assets	**46,335**	41,114
Amortization of intangible assets	**17,360**	15,577
Research and development costs *(Note ii)*	**1,141,996**	716,412
Provision for impairment loss on trade and other receivables	**6,735**	1,657
Provision for write-down of inventories	**20,962**	5,745
Auditors' remuneration		
– audit services	**3,820**	3,100
– non-audit services *(Note iii)*	**4,520**	183
Listing expenses	**26,653**	–

Notes:

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

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

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

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Income tax in the consolidated statements of profit or loss represents:

	2020	2019
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax		
Provision for the year	**50,215**	197,100
(Over)/under – provision in respect of prior years	**(4,158)**	609
	46,057	197,709
Deferred tax		
Origination and reversal of temporary differences	**94,744**	(119,518)
Total income tax expense	**140,801**	78,191

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

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

7 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	Exchange differences on translation of financial statements *RMB'000*	**Financial assets at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)** *RMB'000*	**Total** *RMB'000*
For the year ended December 31, 2019			
Before-tax amount	5,119	(9,348)	(4,229)
Tax benefit	–	1,278	1,278
Net-of-tax amount	5,119	(8,070)	(2,951)
For the year ended December 31, 2020			
Before-tax amount	**(94,954)**	**248,328**	**153,374**
Tax expense	**–**	**(37,041)**	**(37,041)**
Net-of-tax amount	**(94,954)**	**211,287**	**116,333**

8 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB669,534,000 (2019: RMB1,003,624,000) and the weighted average of 2,392,638,339 ordinary shares (2019: RMB2,345,117,618 after adjusting the share issue at nominal value pursuant to a written resolution of the board of directors of the Company passed on June 21, 2019) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Ordinary shares at January 1	**2,345,117,618**	40,000
Effect of shares issued at nominal value *(Note i)*	**–**	2,345,077,618
Effect of shares issued by initial public offering	**47,520,721**	–
Weighted average number of ordinary shares at December 31	**2,392,638,339**	2,345,117,618

Notes:

(i) The number of ordinary shares outstanding before the shares issue at nominal value was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the shares issue at nominal value had occurred at the beginning of the earliest period presented.

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the years ended December 31, 2020 and 2019.

9 TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**1,522,578**	985,117
Bills receivable	**369,275**	364,585
	1,891,853	1,349,702
Less: loss allowance	**(20,841)**	(12,786)
	1,871,012	1,336,916

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

Ageing analysis

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**1,553,979**	1,072,544
Over 3 months but within 12 months	**315,238**	264,272
Over 12 months	**1,795**	100
	1,871,012	1,336,916

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

10 CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED DEPOSITS

(a) Cash and cash equivalents comprise:

	2020	2019
	RMB'000	*RMB'000*
Cash at bank	**3,270,241**	354,760
Cash in hand	**–**	44
	3,270,241	354,804

(b) Pledged deposits and restricted deposits comprise:

	2020	2019
	RMB'000	*RMB'000*
Pledged deposits for		
– issuance of bills payable and letters of credit	**1,777**	962
– banking facilities	**915,600**	290,000
	917,377	290,962

	2020	2019
	RMB'000	*RMB'000*
Restricted deposits for		
– research and development projects	**3**	–

The pledged deposits will be released upon the settlement of the relevant bills payable and letters of credit by the Group or the termination of relevant banking facilities. The restricted deposits will be used for funding certain research and development projects.

11 BANK LOANS

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

	2020	2019
	RMB'000	*RMB'000*
Short-term bank loans	**1,560,740**	1,508,765
Current portion of long-term bank loans	**232,200**	135,213
Within 1 year or on demand	**1,792,940**	1,643,978
After 1 year but within 2 years	**1,231,450**	222,608
After 2 years but within 5 years	**44,100**	903,902
More than 5 years	**–**	12,661
	1,275,550	1,139,171
	3,068,490	2,783,149

The bank loans were secured as follows:

	2020	2019
	RMB'000	*RMB'000*
Bank loans		
– Secured	**1,992,450**	1,523,149
– Unsecured	**1,076,040**	1,260,000
	3,068,490	2,783,149

12 TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**115,462**	93,165
Bills payable	**126,615**	161,686
	242,077	254,851

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**191,610**	172,961
3 to 12 months	**48,617**	79,838
Over 12 months	**1,850**	2,052
	242,077	254,851

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

13 OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	*RMB'000*
Accrued expenses *(Note i)*	**719,708**	782,754
Contract liabilities *(Note ii)*	**18,762**	16,675
Payable for employee reimbursements	**139,552**	83,558
Payables for staff related costs	**235,162**	191,223
Payables for purchase of property, plant and equipment	**58,469**	66,020
Cash received under share incentive scheme	**–**	112,029
Other tax payables	**60,950**	60,099
Others	**90,740**	105,587
	1,323,343	1,417,945

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

Notes:

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

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

14 PROVISION

Provision for the year ended December 31, 2020

	RMB'000
At January 1, 2020	**–**
Provision made during the year	**100,700**
At December 31, 2020	**100,700**

On September 11, 2020, the Group received an investigation notice from State Administration for Market Regulation of the PRC (the "**SAMR**") in respect of the alleged claim of abuse of a dominant market position in connection with an exclusive supply arrangement of raw materials with an overseas third party supplier. On January 22, 2021, the Group were imposed a penalty of RMB100,700,000 by SAMR for the results from this investigation. The Group made full provision for this matter for the year ended December 31, 2020.

15 DIVIDENDS

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

	2020	2019
	RMB'000	*RMB'000*
Dividends proposed after the end of the reporting period of RMB0.15 per ordinary share	**391,296**	–

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

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

	2020	2019
	RMB'000	*RMB'000*
Dividends in respect of previous financial years declared and approved	**–**	635,070

By order of the Board of
Simcere Pharmaceutical Group Limited
先聲藥業集團有限公司
Mr. Ren Jinsheng
Chairman and executive Director

Hong Kong, March 25, 2021

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