Sansure Biotech Inc.
Summary of Annual Report 2020

I Important Tips

1 The summary of this annual report comes from the full annual report. For a comprehensive understanding of the company's results of operations, financial status and future development plans, investors should read the full annual report carefully on the website of the Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission.

2 Major Risk Warning

We have described in detail in this report the various risks that the company may face in the course of its business and the measures to address them. Please refer to Section IV “Discussion and Analysis of Operations” of this report.

3 The Board of Directors, the Supervisory Committee and the Directors, Supervisors and senior management of the company guarantee the truthfulness, accuracy and completeness of the contents of the annual report, and that there are no false records, misleading statements or material omissions, and assume individual and joint legal responsibility.

4 All directors of the company attended the board meeting.

5 Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) has issued a standard and unqualified auditor's report.

6 Proposal for profit distribution and proposal for provident fund convertion into share capital for the reporting period as approved by the board of directors

In accordance with the resolution of the second meeting of the first session of the Board of Directors of the company for 2021 held on March 26, 2021, the net profit attributable to shareholders of the listed company for the year 2020 as of the end of the reporting period was confirmed by Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) in the audit to be RMB 2,616,597,026.75, and the profit available for distribution by the parent company as of December 31, 2020 was RMB 2,108,274,005.17. Pursuant to the resolution of the Third Extraordinary General Meeting (EGM) of 2020, the company paid a cash dividend of RMB 7.5 (including tax) per 10 shares to all shareholders in the third quarter of 2020, totaling RMB 300,000,000.00 (including tax). The annual profit distribution plan for 2020 is shown as follows:

The company intends to pay a cash dividend of RMB 3.75 (including tax) per 10 shares to all shareholders. As of December 31, 2020, the company has issued 400,000,000.00 shares, based on which a total cash dividend of RMB 150,000,000.00 (including tax) is to be paid. The accumulated cash dividends for the year accounted for 17.20% of the net profit attributable to ordinary shareholders of the listed company for 2020.

The proposal is based on long-term consideration for shareholders and takes into account the overall strategic layout and capital requirements of the company to ensure the sustainable and stable development of the company's business. The undistributed profits retained by the company will be for the company's strategic planning projects such as investment in new product research and development, perfecting the extension of the whole industrial chain, accelerating the international layout and the cash source for future profit distribution.

7 Whether there are important matters such as special arrangements for corporate governance

□Applicable √Not applicable

II General information of the company

1 About Company

Introduction of Company's Stocks

√Applicable □ Not applicable

Introduction of company's stocks				
Stock types	Stock exchange and board listed on	Stock abbreviation	Ticker symbol	Stock abbreviation before the change
A shares	Shanghai Stock Exchange STAR Market	SSSW	688289	N/A

Description of company's depository receipts

□Applicable √Not applicable

Contact person and information

Contact person and information	Secretary of the Board of Directors (domestic representative for the disclosure of information)	Representative of securities affairs
Name	Peng Zhu	
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2 Description of company's main business during the reporting period

(I) Main business, main products or services

The company is an integrated solution provider of in vitro diagnostics with independent innovative gene technology as the core, integrating R&D, production and sales of diagnostic reagents and instruments, as well as independent clinical laboratories. As one of the leading in vitro diagnostic companies with advanced technology and complete products in China, the company is committed to becoming a global leading player for innovative high-end molecular diagnostics that brings the boon of gene technology to general public, promotes the cause of national health through its efforts on prevention and control of various diseases and epidemics and assists in the construction of national precision medical system and hierarchical medical system.

The company has independently developed advantageous production lines such as viral hepatitis, reproductive infection and genetics, pediatric infection, respiratory infection, nucleic acid blood screening, and automated instruments, and further expanded into the fields of early tumor screening, individualized tumor drug use, chronic disease management, public health, animal disease prevention and control, and scientific research services. It has developed more than 400 product varieties with excellent performance and capable of providing high-quality services for more than 2,200 tests. The company has established a complete quality control system and marketing service system, and its products have been exported to nearly 160 countries and regions around the world.

The company has obtained more than 300 domestic and foreign registration certificates, including 6 Class I product registration certificates, 70 Class II recording certificates, 29 Class III product registration certificates, and 1 drug registration certificate. 100 products have obtained CE marking in the European Union, in addition, many products have obtained registration certificates by National Food and Drug Administrations in Brazil, the United States and other countries.

Main products and services of the company are detailed as follows:

(1) Reagents

Product Line	Use	Representative Products
Viral hepatitis series	In vitro quantitative or qualitative detection of hepatitis virus nucleic acid, hepatitis virus genotyping and mutation loci detection	Hepatitis B Viral DNA Quantitative Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) (One-tube Fast Release Technology) Hepatitis B Viral DNA Quantitative Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) (Advanced Magnetic Beads Technology) Hepatitis C Viral DNA Quantitative Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) (Advanced Magnetic Beads Technology) Hepatitis B Virus Genotype Diagnostic Kit (PCR-Fluorescence Probing) Hepatitis C Virus Genotype Diagnostic Kit (PCR-Fluorescence Probing) Hepatitis B Viral DNA Quantitative Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) (Hypersensitivity) Hepatitis C Viral DNA Quantitative Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) (Hypersensitivity) Hepatitis B Virus YMDD Mutation DNA Diagnostic Kit (PCR-Fluorescence Probing)
Reproductive tract infection and genetic series	In vitro qualitative or quantitative detection of sexually transmitted pathogens and human papillomavirus nucleic acid, for the auxiliary diagnosis of reproductive tract infectious diseases and screening or auxiliary detection of cervical cancer and precancerous lesions and genetic genes in women	Herpes Simplex Virus Type 2 DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Chlamydia Trachomatis DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Neisseria Gonorrhoeae DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Ureaplasma Urealyticum DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Chlamydia Trachomatis/Ureaplasma Urealyticum/Neisseria Gonorrhoeae DNA Diagnostic Kit (PCR-Fluorescence Probing) Human papillomavirus (Type 16 and 18) DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Human papillomavirus (Type 6 and 11) DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) High-risk Human Papillomavirus DNA (Genotype) Diagnostic Kit (PCR-Fluorescence Probing) 15 High-risk Human Papillomavirus DNA Diagnostic Kit (PCR-Fluorescence Probing) Thalassemia Gene Diagnostic Kit (gap-PCR)
Pediatric infection series	In vitro qualitative detection of pediatric-associated enteroviruses, herpes-like viruses, genetic genes and nucleic acids of respiratory disease-associated pathogens	Diagnostic Kit for Enterovirus 71 RNA (PCR-Fluorescence Probing) Diagnostic Kit for Coxsackievirus A16 RNA (PCR-Fluorescence Probing) Diagnostic Kit for Enterovirus RNA (PCR-Fluorescence Probing) Enterovirus/Coxsackievirus A16/Enterovirus 71 RNA Diagnostic Kit (PCR-Fluorescence Probing) Epstein-Barr Virus DNA Quantitative Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Human Cytomegalovirus DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing)
Respiratory tract infection series	In vitro qualitative detection of nucleic acids of pathogens associated with respiratory diseases	Mycobacterium Tuberculosis DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Mycoplasma Pneumoniae DNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Influenza A Virus RNA Diagnostic Kit (PCR-Fluorescence Probing) Novel Coronavirus (2019-nCoV) Nucleic Acid Diagnostic Kit (PCR-Fluorescence Probing)
Nucleic acid blood screening series	Highly sensitive qualitative screening test for hepatitis B, hepatitis C and HIV nucleic acids for clinical blood-borne pathogen screening and blood safety, pathogen screening for blood and blood products	Nucleic Acid Test Kit for HBV,HCV,HIV (Type1+2) (Real-time PCR)
Scientific research, public health, animal disease series	For scientific research needs, outbreak or public health prevention and control needs, and animal disease detection	Human EGFR gene 29 Mutation DNA Fluorescence Diagnostic Kit Human HLA-B27 DNA Fluorescence Diagnostic Kit Human ApoE Genetic Polymorphism Detection Kit Human Parvo Virus B19 Nucleic Acid Diagnostic Kit (PCR-Fluorescence Probing) Group A/B Rotavirus DNA Fluorescence Diagnostic Kit (PCR-

Product Line	Use	Representative Products
		Fluorescence) Streptococcus Pneumoniae Nucleic Acid Diagnostic Kit (PCR-Fluorescence Probing) Human Rhinovirus Nucleic Acid Diagnostic Kit (PCR-Fluorescence Probing) Adenovirus DNA Diagnostic Kit (PCR-Fluorescence Probing) Respiratory Syncytial Virus RNA Fluorescence Diagnostic Kit (PCR-Fluorescence Probing) Porcine Pseudorabies Virus (gE) Real-time Fluorescent PCR Diagnostic Kit Swine Fever Virus Real-time Fluorescent RT-PCR Diagnostic Kit African Swine Fever Virus (ASFV) Nucleic Acid Diagnostic Kit (PCR-Fluorescence Probing) Foot-and-mouth Disease Virus Real-time Fluorescent RT-PCR Diagnostic Kit
Nucleic acid extraction series	Preservation of biological samples and extraction or purification of nucleic acids (DNA/RNA) in samples (whole blood, serum, plasma, nasopharyngeal swabs, feces, urine, sputum and tissues)	Nucleic Acid Extraction or Purification Kit Sample Release Reagent Sample Storage Reagent
Clinical chemistry	For in vitro detection of changes in biochemical parameters	Total protein (TP), albumin (ALB), ferritin (FER), including liver function, kidney function, sugar, specific proteins, lipids, cardiovascular, inorganic ions and other multi-series, totaling 61 products

(2) Instruments

Product line	Product name
Fully automated nucleic acid diagnosis reaction set-up system	Fully Automated Nucleic Acid Extraction System (S11A, S11C, S12A, S12C, S-S13A) Fully Automated Nucleic Acid Diagnosis Reaction Set-up System (S21A)
Molecule POCT workstation	Portable Fully Automated Nucleic Acid Extraction and Amplification System (S-Q21A) Nucleic Acid Rapid Amplification System (S-Q22A)
Automated nucleic acid extraction system	Automated Nucleic Acid Extraction System (Natch24, Natch48, Natch96)
Fluorescent PCR detection analysis software	Intelligent Reporting Software for Fluorescent PCR Detection (PCRAnalyzer-100/101/102/103/104)

(3) Testing services

Service series	Service contents
Independent clinical laboratory	There are 9 specialized laboratories including gene sequencing, molecular biology, biochemical luminescence, immunology and clinical examination, enabling providing more than 2,200 tests. We have established a five-level sales and cold chain logistics system covering provinces, cities, prefectures, towns and communities to provide efficient, high-quality and reasonably priced medical testing, pathology diagnosis, scientific research services and health management services for medical institutions at all levels.
Research services	These mainly include next generation sequencing services, bioinformatics analysis services, and scientific collaboration services.

(II) Main business mode

The company integrates the “instruments + reagents + services” related to in vitro diagnostics into its business, specialized in the R&D, production and sales of in vitro diagnostic reagents, supporting testing instruments and other in vitro diagnostic products and independent clinical laboratories, with a complete R&D, procurement, production, sales and service system. Based on self-development, the company purchases raw materials from qualified suppliers and organizes the production of in vitro diagnostic reagents and instruments, which are eventually sold to hospitals, independent clinical laboratories, medical examination institutions, disease control centers, scientific research units and other users by "direct sales and distribution" mode.

(III) Industry situation

Development stage, basic features, and main technical thresholds of the industry

(1) Development stage of the industry

According to the Guideline for Industry Classification of Listed Companies, the company falls in the scope of the pharmaceutical manufacture (classification code C27), and the blood screening products are in the scope of the biological drug manufacture in the pharmaceutical manufacture (C2761); according to the National Economic Classification, the company falls in the scope of the medical instrument and equipment manufacturing industry in the pharmaceutical manufacture (classification code C358). The main products currently produced by the company are in vitro diagnostic reagents as stipulated in the Administrative Measures for Registration of In Vitro Diagnostic Reagents.

In vitro diagnostic refers to products and services that are used outside the human body to acquire clinical diagnostic information and determine diseases or body functions by testing human samples (body fluids, cells, and tissue samples). In vitro diagnostics is known as the “doctor's eye” in the medical field and is an important part of the development of modern laboratory medicine and precision medicine. It is clinically applied throughout the whole process of disease diagnosis and treatment from disease prevention to risk assessment, disease diagnosis, treatment plan selection, and efficacy evaluation, providing doctors with a large amount of useful clinical diagnostic information and becoming an increasingly important part of human disease diagnosis and treatment. According to different testing principles and methods, the in vitro diagnostics segment can be mainly divided into biochemical diagnostics, immunologic diagnosis, molecular diagnostics, microbiological diagnostics, blood diagnostics, and POCT (point-of-care testing).

With the increasing demand for health and higher requirements in the fields of disease risk prediction, health management, and chronic disease management, in vitro diagnostics are attracting much more attention. According to the statistics of China Commerce Management Institute, the global in vitro diagnostics market reached $64.5 billion in 2017 and is expected to grow at a CAGR of 4.8% from 2018 to 2025, and the global in vitro diagnostics market will be about $70 billion in 2019 and is expected to reach $93.6 billion by 2025. With the upgrading of China's medical consumption level, the promotion of medical system reform and the promotion of the “Healthy China 2030” strategy, the in vitro diagnostic industry has entered a period of continuous rapid development. Affected by COVID-19, the market demand for in vitro diagnostics, especially molecular diagnostics, surged, and China's in vitro diagnostics industry ushered in a mushroomed development in 2020.

(2) Industry development trend

(1) In vitro diagnostic market in China continues to grow

According to domestic and international information about China's in vitro diagnostics market, excluding non-industrial caliber data, the in vitro diagnostics market of China exceeded RMB 80 billion in 2018, with a year-on-year growth of around 15%. China's in vitro diagnostics market exceeded RMB 90 billion in 2019, and driven by the pandemic in 2020, the market has reached RMB 100 billion, and China has become one of the fastest growing markets of IVDs in the world. From the perspective of segmentation, molecular diagnostics is the fastest growing area in the IVD field with a market growth rate over 25% until 2020, and the molecular diagnostics market growth is further accelerated by the demand for precision medicine and the special impact of COVID-19 period in 2020.

(2) China's in vitro diagnostic products enter the global market and export trade enters a period of rapid development

According to the statistics of China Chamber of Commerce of Medicines & Health Products Importers & Exporters, China’s medical device import and export trade has maintained a continuous growth for 11 years. The total import and export of medical devices in China in 2019 was US $55.487 billion, an increase of 21.16% from the previous year. China's in vitro diagnostic product solutions were globally recognized in the global fight against COVID-19 in 2020, making a significant contribution to the global effort against the pandemic. In particular, the export of nucleic acid testing products for SARS-CoV-2 has reached hundreds of millions of pieces. The structure of China's

foreign trade in medical devices, in general, continues to be optimized, the proportion of in vitro diagnostic products has increased, the quality and efficiency continue to improve, better adapted to the needs of the international market and complex changes. As involved enterprises continue to forge ahead, the quality of innovation in China's in vitro diagnostic industry will continue to improve, a number of outstanding enterprises with international competitiveness will emerge, and the IVD export trade will step into a period of rapid development.

(3) Molecular diagnostics market development will continue to lead the in vitro diagnostics industry

Molecular diagnostics is in the stage of rapid development with an amazing growth rate. As the most cutting-edge technology in life science, it carries the core of the future development of precision medicine and is now widely used in infectious diseases, tumors, genetic diseases, prenatal screening and other fields. According to data from the industry report (Zheshang Securities), the CAGR of the global molecular diagnostics market from 2013-2019 was 12.18%, far exceeding 4.99% of the IVD industry as a whole; while the CAGR of the molecular diagnostics market in China has reached 31.63%, and is expected to maintain an industry growth rate of about 20%-30% in a longer period without considering the factor of COVID-19. Although China's molecular diagnostic market accounts for only 16.86% of the global total, it is growing at a rate of 2.6 times of the global growth.

Through the fight against COVID-19 in 2020, the basic capacity of nucleic acid testing in China has been greatly improved. According to the latest data from the Joint Prevention and Control Mechanism of the State Council, 8,437 health care institutions nationwide were able to conduct nucleic acid testing as of January 13, 2021, four times the number of health care institutions able to do so at the end of March 2020, with extensive coverage of county-level health care institutions. Such outstanding nucleic acid testing capacity is a valuable asset to our society and health care system. In addition to responding to outbreaks such as COVID-19, it can also play an important role in the prevention and control of infectious diseases (such as respiratory infectious diseases, AIDS, viral hepatitis, tuberculosis, hand-foot-and-mouth disease, etc.), tumor prevention and control, and chronic disease management in China. With the development trend of precision medicine and the continuous innovation and upgrading of all-scene universal molecular diagnostic technology, the molecular diagnostic will still maintain rapid growth for a long time in the future.

(3) Major technical thresholds

The in vitro diagnostic industry involves biological, medical, mechanical, optical, electronic (microelectronics), computer, engineering, industrial design and manufacturing and other related professional technology with a high technical threshold. The continuous use and updating of new technologies has objectively shortened the update cycle of industry technologies, posing a greater challenge to the accumulation of enterprise technologies and the professional requirements for personnel.

Analysis of the company's position in the industry and its changes

Based on its core technology platform with independent intellectual property rights, the company has developed a series of more than 400 product varieties with excellent performance in viral hepatitis, SARS-CoV-2 testing, respiratory infection, nucleic acid and blood screening, reproductive infection and genetics, pediatric infection, cancer prevention and control, maternal and child health, chronic disease management, emergency epidemic prevention and control, with ability to provide more than 2,200 tests and services, having established a comprehensive industry chain system solution integrating reagents, instruments, sequencing services, independent clinical laboratories, and molecular laboratory construction. The products of the company have been exported to nearly 160 countries and regions around the world.

(1) In the area of products for viral hepatitis treatment, the company has undertaken major national projects listed in the National “12th Five-Year Plan”, “13th Five-Year Plan” and the National “863” Program. Depending on the advanced magnetic beads technology and one-tube fast release technology, the company has developed a series of nucleic acid detection products for viral hepatitis, covering the whole process from viral hepatitis diagnosis to treatment plan determination, treatment follow-up monitoring, drug resistance monitoring, and treatment endpoint judgment, which have been widely used in most of the benchmark hospitals and

independent clinical laboratories in China. The company's hypersensitivity hepatitis B and C nucleic acid test reagents registered in 2019, with a sensitivity of 5 IU/mL and 12 IU/mL respectively, have reached the international leading level. The company maintained the first place in the number of laboratory users of hepatitis B and C nucleic acid test reagents in the national inter-laboratory quality evaluation in 2020, keeping ahead in viral hepatitis nucleic acid testing market. The World Health Organization (WHO) has set the goal of eliminating viral hepatitis by 2030. With the deepening of prevention and control of viral hepatitis in China and around the world, quantitative nucleic acid testing for hepatitis viruses has become an important part in the effort of prevention and control, and the hepatitis prevention and control products that the company is trying to continuously develop and perfect will certainly achieve more outstanding performance in the market.

(2) In terms of the products for SARS-CoV-2 testing and respiratory disorders, the company, with more than 10 years of technology accumulation and rich experience in industrialization and product application, has developed SARS-CoV-2 nucleic acid testing reagents in 72 hours, followed by the launch of “up-to-the-minute” rapid nucleic acid testing equipment, SARS-CoV-2 antigen detection reagents, SARS-CoV-2/Influenza A/Influenza B reagent for nucleic acid detection (antigen detection), and a series of anti-pandemic products such as SARS-CoV-2 nucleic acid testing reagents, and has also built a total solution for full-scene SARS-CoV-2 testing according to different anti-pandemic periods, different application scenarios and different national conditions, helping global pandemic prevention and control. It has served nearly 160 countries and regions around the world as one of the largest exporters of nucleic acid testing reagents for SARS-CoV-2 in China, helping thousands of laboratories at home and abroad to learn the technology of nucleic acid testing or increase their nucleic acid testing capacity by several times to tens of times. “Sansure Solution” to COVID-19 has been a leading solution for SARS-CoV-2 nucleic acid testing in many countries around the world, such as France, UAE, Philippines, and Serbia, with a market share of more than 80% in some countries. It has enabled countries around the world to further understand and recognize “China's experience in fighting the pandemic” and “China’s anti-pandemic solutions”. Testing kits for six respiratory virus pathogens detection, seven respiratory virus pathogens detection, as well as SARS-CoV-2 and influenza A/B viruses detection have obtained the CE marking, and they are expected to be commercially available in 2021 in China. They are able to make accurate differential diagnosis of respiratory infectious diseases and provide precise guidance for the prevention and control of respiratory infectious diseases in China.

(3) For nucleic acid testing instruments and equipment, the company has developed a series of automated nucleic acid extraction systems such as iPonatic, Natch 48, Natch 96, Natch S, Natch CS, Natch CS2, Fast DP01, Fast DP02, which have changed the original PCR laboratory manual operation-based applications, realizing one-stop automatic laboratory operation of the whole process from the original sample pre-processing to room temperature lysis, nucleic acid extraction, and PCR reaction system construction, integrated into a high-throughput, high-precision, and high-efficiency modern molecular laboratory system solution. In 2020, the company total shipment reached 6,122, nearly 6 times the total shipment from its establishment to 2019. The company’s testing instruments and self-produced reagents on sale can be well matched, so the installed instruments can be used for nucleic acid testing of SARS-CoV-2 and many other mainstream nucleic acid projects. The growth of instrument sales and installations will further drive incremental sales of the company’s full line of reagents and accelerate the increase in market share of the full line of products. Besides, the company has also developed and registered POCT mobile nucleic acid testing system, which can enables “up-to-the-minute” nucleic acid testing, breaking through the traditional PCR laboratory limitations and the application scenarios, providing on-site instant nucleic acid testing solutions for fever clinics, emergency and primary care institutions, health management, military security, biological emergencies and other fields.

(4) In terms of products for nucleic acid testing of reproductive tract infections and HPV (human papillomavirus), the company has developed a series of HPV testing products based on the one-tube fast release technology platform, which can provide a variety of HPV typing, non-typing and partial typing products and testing solutions according to different application scenarios, and can quickly, efficiently and accurately detect high-risk and low-risk HPV subtypes in the tested samples. Based on the fast, efficient, accurate and excellent after-sales service

system, the company has been widely accepted in the market and have served the “Cervical cancer and breast cancer screening” programs in Xinjiang, Yunnan, Gansu, Shanxi, Shaanxi, Hunan and other provinces and cities, providing accurate HPV testing products and services for cervical cancer screening for women of the right age. The products have been used in hospitals across the country and enjoyed a high growth in usage in recent years. In the field of accurate diagnosis and treatment of female diseases, the company has also developed and registered a series of nucleic acid testing kits for sexually transmitted diseases such as chlamydia trachomatis, ureaplasma urealyticum, gonococcus, herpes simplex virus and genetic testing products for thalassemia, which also have outstanding advantages in performance.

(5) For blood screening nucleic acid detection products, the company has developed nucleic acid reagents for detecting hepatitis B virus (HBV), hepatitis C virus (HCV) and human immunodeficiency virus 1+2 (HIV1+2) nucleic in samples based on hypersensitivity magnetic beads technology, with lower detection limits of 3 IU/mL for HBV, 10 IU/mL for HCV and 45 IU/mL for HIV-1/HIV-2. The products have reached the international leading level in detection performance with the most comprehensive coverage of the three virus subtypes, effectively preventing the missed detection. Now the products have been installed for detection in dozens of blood collection institutions and medical institutions, and with technical and performance advantages, they will certainly seize market share in the field of blood safety and clinical preoperative/pre-transfusion blood-borne pathogens screening in China.

Development of new technologies, new industries, new business patterns and new modes and future development trends during the reporting period

(I) Development of new technologies, new industries, new business patterns and new modes

(1) New technologies

The technological direction of molecular diagnostics is currently focused on simplification, high precision, automation, systematization, and mobility. Technologies such as multiplex PCR, NGS, melting curves, molecular POCT, rapid extraction, single molecule sequencing and detection, and CRISPR are the main areas of research and application.

(2) New industries

At the upstream level of in vitro diagnostics, many companies actively lay out the molecular diagnostic raw material industry and try their best to reduce the dependence on the outside; besides, they actively cooperate with research institutes to solve the problem of independent control and stable supply of core raw materials; at the midstream level, they introduce refined management and strengthen production automation and intelligence; at the downstream level, they adapt to the national medical policy and be active in laying out the sales side.

(3) New business patterns and new modes

Firstly, cooperations between major companies have become more common. In vitro diagnostic manufacturers are active to join hands with international giants or with strong alliances in R&D and circulation to actively integrate their advantageous resources for coordinated development. Secondly, based on the existing product lines and global market foundation, they are preparing for global molecular diagnostic market development. Thirdly, they make full use of the opportunity of Internet+ to promote the construction of online hospitals, while actively laying out the home in vitro diagnostic market.

(II) Future trends

(1) Precision medicine drives rapid development of molecular diagnostics market

Molecular diagnosis is a technique that applies molecular biology methods to detect changes in the structure or expression level of genetic material in an organism and make a diagnosis. As molecular diagnosis can be detected at the genetic level, it has obvious advantages in sensitivity and accuracy, and can identify viruses at the early stage of infection or confirm genetic defects early, so as to provide personalized medical diagnosis services. It has been widely used in the fields of infectious disease detection, precision detection of respiratory diseases, blood screening, HPV and other reproductive infections, prenatal screening, early tumor screening and individualized treatment,

genetic disease screening, pharmacogenomics and other fields. With the promotion of medical system reform and “Healthy China 2030” strategy, the public awareness of the importance of nucleic acid detection and molecular diagnostic technology products has increased, and more attention has been paid to preventive medicine, and the molecular diagnostic market will continue to expand with the development of precision medicine.

(2) There is an obvious trend towards decentralized laboratory for nucleic acid testing, and molecular POCT equipment has a brilliant future

Molecular POCT products are characterized by the advantages of integration, miniaturization, automation, high speed and simplicity, which can complement the fragmented testing needs that are difficult to be covered by traditional centralized PCR laboratories with extremely rich application scenarios. With the introduction of national policy documents to encourage private hospitals, blood station systems, primary care institutions, CDC institutions equipped with nucleic acid testing capabilities, molecular POCT market size is expected to grow dramatically. In addition to primary medical institutions, it can also be used for emergency, outpatient, pre-surgical infectious disease screening and nosocomial infection monitoring in large hospitals, sudden public health events in CDC, vehicle-borne field testing, or on-site testing in tent hospitals and immigration, testing in social sectors such as the military and schools, overseas frozen food testing, and monitoring of infectious diseases inside closed places such as prisons and drug rehabilitation centers. With complete infrastructure for nucleic acid testing, the molecular diagnostics market will increase massively.

(3) According to the latest data from the Joint Prevention and Control Mechanism of the State Council, 8,437 health care institutions nationwide were able to conduct nucleic acid testing as of January 13, 2021, four times the number of health care institutions able to do so at the end of March 2020, with extensive coverage of prefecture-level health care institutions. Such outstanding nucleic acid testing capacity is a valuable asset to our society and health care system. In addition to responding to outbreaks such as COVID-19, it can also play an important role in the prevention and control of infectious diseases (such as respiratory infectious diseases, AIDS, viral hepatitis, tuberculosis, hand-foot-and-mouth disease, etc.), tumor prevention and control, and chronic disease management in China. According to the statistics of PCR detection reagents registered by the NMPA, the products are mainly concentrated in the fields of hepatitis, respiratory tract, venereal disease, HPV, genetic disease detection and personalized medicine; with the continuous technical and product innovation of domestic enterprises in recent years and the reform of medical device product registration and approval policy, the usage of molecular diagnostic technologies will become more common in clinical practice, and will still maintain a rapid growth for quite a long time in the future.

3 Key accounting data and financial indicators of the company

3.1 Key accounting data and financial indicators for the last 3 years

Unit: Yuan; Currency: RMB

	2020	2019	Increase/decrease over the previous year (%)	2018
Total assets	5,454,374,137.67	642,465,337.29	748.98	552,042,679.43
Operating income	4,762,963,903.32	365,389,084.87	1,203.53	303,446,306.01
Net profit attributable to shareholders of the listed company	2,616,597,026.75	39,478,539.85	6,527.90	6,762,086.34
Net profit after non-recurring profit and loss deduction attributable to shareholders of the listed company	2,592,675,720.17	37,650,597.68	6,786.15	5,699,756.20
Net assets attributable to	4,745,425,022.72	557,476,400.67	751.23	396,287,325.35

shareholders of the listed company				
Net cash flows generated from operating activities	2,642,276,432.02	22,405,731.73	11,692.86	10,067,120.58
Primary earnings per share (yuan/share)	7.01	0.11	6,272.73	
Diluted earnings per share (yuan/share)	7.01	0.11	6,272.73	
Weighted average return on net assets (%)	107.29	7.28	100.01% increase	1.48
Ratio of R&D investment to operating income (%)	1.74	10.66	8.92% decrease	11.76

3.2 Key accounting data by quarter of the reporting period

Yuan (RMB)

	Quarter 1 (January - March)	Quarter 2 (April-June)	Quarter 3 (July-September)	Quarter 4 (October-December)
Operating income	399,583,498.49	1,700,427,682.26	1,505,259,703.83	1,157,693,018.74
Net profit attributable to shareholders of the listed company	193,075,180.64	1,038,713,041.77	781,027,115.29	603,781,689.05
Net profit after non-recurring profit and loss deduction attributable to shareholders of the listed company	191,825,456.64	1,035,005,388.02	765,516,943.60	600,327,931.91
Net cash flows generated from operating activities	148,703,711.86	923,609,742.63	685,436,624.70	884,526,352.83

Explanation of differences between quarterly data and disclosed periodic report data

□Applicable √Not applicable

4 Share capital and shareholders

4.1 Shareholder holdings

Unit: Share

Total number of common shareholders as of the end of the reporting period (households)	17,389
Total number of common shareholders as of the end of the previous month prior to the date of disclosure of the annual report (households)	15,554
Total number of preferred shareholders with voting rights restored as of the end of the reporting period (households)	
Total number of preferred shareholders with voting rights restored at the end of the previous month prior to the date of disclosure of the annual report (households)	

Shareholdings of top ten shareholders

Name of shareholder (full name)	Increase/decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with limited selling conditions	Number of restricted shares including shares lent by the securities financing	Pledge or freeze		Nature of shareholder
						Share status	Quantity	
Dai Lizhong		126,488,642	31.62	126,488,642	126,488,642	None	0	Natural Person in China
Anhui Chi Road Investment Co., Ltd.		43,044,351	10.76	43,044,351	43,044,351	Pledge	11,500,000	Non State-own Legal-person in China
Zhu Jinwei		34,028,493	8.51	34,028,493	34,028,493	None	0	Natural Person in China
Hunan Shengwei Investment Management Co., Ltd.		25,132,835	6.28	25,132,835	25,132,835	None	0	Non State-own Legal-person in China
Shanghai Liyi investment management partnership - Suzhou Lirui Equity Investment Center (L.P.)		22,535,138	5.63	22,535,138	22,535,138	None	0	Others

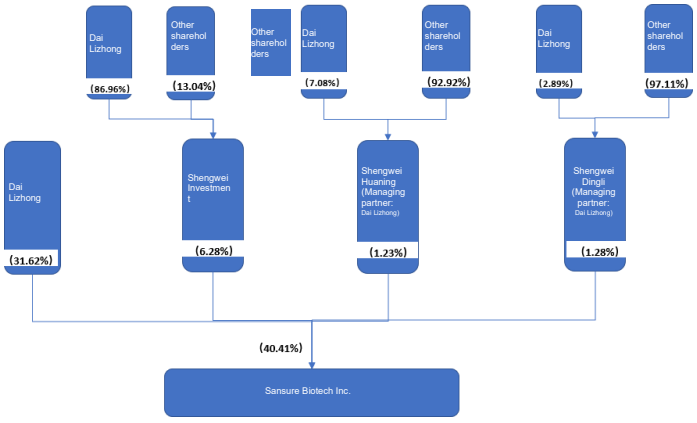
Chen Wenyi		22,241,466	5.56	22,241,466	22,241,466	Pledge Frozen	22,000,000 241,466	Natural Person in China
Ningbo Free Trade Zone Tritong Equity Investment Partnership (L.P.)		9,014,219	2.25	9,014,219	9,014,219	None	0	Others
Shanghai Angxi Enterprise Management Center (L.P.)		7,125,705	1.78	7,125,705	7,125,705	Pledge	1,100,000	Others
Chen Bang		6,760,459	1.69	6,760,459	6,760,459	None	0	Others
Qin Jiusan		6,042,808	1.51	6,042,808	6,042,808	None	0	Others
Description of the above shareholders' related relationship or concerted action		Dai Lizhong holds 86.96% of the shares of Hunan Shengwei Investment Management Co., Ltd. as the actual controller. Other than that, the Company does not know whether there is any connection or concerted action among the other shareholders above.						
Description of total number of preferred shareholders with voting rights restored		N/A						

Depository receipt holders

□Applicable √Not applicable

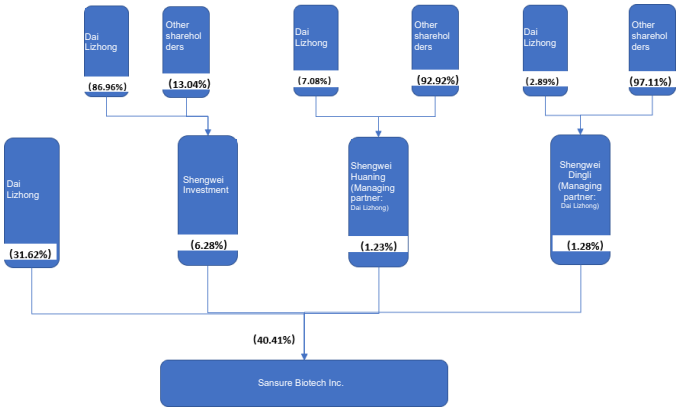
4.2 Block diagram of the ownership and control relationship between the Company and the controlling shareholder

√Applicable □ Not applicable



4.3 Block diagram of the ownership and control relationship between the Company and the actual controller

√Applicable □ Not applicable



4.4 Total number of shareholders of the company's preferred shares and the top 10 shareholders at the end of the reporting period

□Applicable √Not applicable

5 Corporate bonds

□Applicable √Not applicable

III Discussion and analysis of business conditions

1 Main business during the reporting period

During the reporting period, the company had total operating revenue of RMB 4,762,963,903.32, an increase of 1,203.53%; net profit attributable to shareholders of the listed company was RMB 2,616,597,026.75, an increase of 6,527.90%.

2 Circumstances and reasons for termination of listing

□Applicable √Not applicable

3 Analysis and explanation of the reasons for and effects of changes in accounting policies and accounting estimates by the company

√Applicable □ Not applicable

(1) Changes in accounting policies

① Changes in accounting policies resulting from the implementation of the new revenue standard

The Ministry of Finance issued Accounting Standards for Enterprises No. 14 - Revenues (Revision 2017) (Cai Kuai [2017] No. 22) on July 5, 2017 (hereinafter referred to as “New Revenue Standard”). It was adopted by the Board of Directors of the company on June 14, 2019, and the Group started to implement the aforementioned new revenue standard on January 1, 2020.

The new revenue standard establishes a new revenue recognition model for regulating revenue arising from contracts with customers. To implement the new revenue standard, the Group re-evaluated the recognition and measurement, accounting and presentation of revenue from major contracts. The amount of the cumulative effect of the first-time implementation will be adjusted to the amount of retained earnings and other related items in the financial statements at the beginning of the period in which the first-time implementation occurs (i.e., January 1, 2020), with no adjustment to the comparable period information.

The main changes and impacts resulting from the new revenue standard are as follows:

A. Impact on the financial statements as of January 1, 2020

Reporting items	Amount on December 31, 2019 (before change)		Amount on January 1, 2020 (after change)	
	Consolidated statement	Company statement	Consolidated statement	Company statement
Deposit received	6,901,448.31	5,628,313.27		
Contractual liability			6,613,948.82	5,449,332.91
Other current liabilities			287,499.49	178,980.36

B. Impact on December 31, 2020/the year of 2020

By comparing each item of the consolidated and company balance sheets as of December 31, 2020, and each item of the consolidated and company income statements as of December 31, 2020, prepared in accordance with the changed accounting policy, with the items of these statements that would have been prepared in accordance with the unchanged accounting policy, the affected items are as follows in contract:

a. Impact on the balance sheet as of December 31, 2020

Reporting items	December 31, 2020 Amount under the new revenue standard		December 31, 2020 Amount under the old revenue standard	
	Consolidated statement	Company statement	Consolidated statement	Company statement
Deposit received			65,802,031.33	65,249,047.24
Contract liability	62,472,260.66	61,934,395.64		
Other current liabilities	3,329,770.67	3,314,651.60		

b. Impact on the income statement for 2020

Reporting items	Amounts under the new revenue standard for fiscal 2020		Amounts under the old revenue standard for fiscal 2020	
	Consolidated statement	Company statement	Consolidated statement	Company statement
Operating cost	21,373,162.25	20,836,253.32		
Selling expense			21,373,162.25	20,836,253.32

(2) Changes in accounting estimates

The Group had no changes in accounting estimates during the reporting period.

4 Analysis and explanation of the causes and effects of the correction of significant accounting errors by the company

□Applicable √Not applicable

5 If there is a change in the scope of consolidation of the financial statements compared with the previous year's financial report, the company should provide a specific explanation.

√Applicable □ Not applicable

As of December 31, 2020, the subsidiaries within the scope of the company's consolidated financial statements were as follows: Hunan Sanway Clinical Laboratories Co., Ltd., Hunan Sanway Gene Biotech Co., Ltd., Hunan Kangde Biological Technology Co., Ltd., Sansure (Shanghai) Genentech Co., Ltd., Hong Kong Sansure Biotech Co., Ltd., and Sansure (Beijing) Genentech Co., Ltd.