DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED
東瑞製葯(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2348)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Changes
Revenue (RMB'000)	950,007	948,938	0.1%
Gross profit (RMB'000)	535,869	595,029	-9.9%
Gross profit margin (%)	56.4%	62.7%	-6.3 percentage points
Profit before tax (RMB'000)	314,094	377,777	-16.9%
Profit for the year (RMB'000)	255,356	303,960	-16.0%
Net profit margin (%)	26.9%	32.0%	-5.1 percentage points
Earnings per share attributable to ordinary equity holders of the parent—basic (RMB)	0.1621	0.1916	-15.4%
Proposed final dividend per share (HK$)	0.043	0.06	-28.3%

The board (the "Board") of the directors (the "Directors") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 (the "reporting period") together with the comparative amounts for 2018 as follows:

*for identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019	2018
		RMB'000	*RMB'000*
REVENUE	4	950,007	948,938
Cost of sales		(414,138)	(353,909)
Gross profit		535,869	595,029
Other income and gains	4	48,071	47,923
Selling and distribution expenses		(84,812)	(106,854)
Administrative expenses		(97,087)	(83,184)
Other expenses		(70,809)	(59,936)
Finance costs	5	(5,309)	(1,152)
Share of profits and losses of an associate		(11,829)	(14,049)
PROFIT BEFORE TAX	6	314,094	377,777
Income tax expense	7	(58,738)	(73,817)
PROFIT FOR THE YEAR		255,356	303,960
Attributable to:			
Owners of the parent		255,430	303,960
Non-controlling interests		(74)	-
		255,356	303,960
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic, for profit for the year		RMB0.1621	RMB0.1916
Diluted, for profit for the year		RMB0.1621	RMB0.1916

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	255,356	303,960
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences	2,498	8,773
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	2,498	8,773
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	257,854	312,733
Attributable to:		
Owners of the parent	257,928	312,733
Non-controlling interests	(74)	-
	257,854	312,733

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019	2018
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		462,832	486,269
Land use rights		-	38,093
Right-of-use assets		106,523	-
Construction in progress		26,945	10,572
Goodwill		241,158	-
Other intangible assets		149,663	63,706
Investment in an associate		77,440	29,599
Long-term prepayments		-	21,629
Deferred tax assets		6,643	5,823
Total non-current assets		1,071,204	655,691
CURRENT ASSETS			
Inventories		180,759	148,043
Trade and notes receivables	10	370,994	346,802
Prepayments, other receivables and other assets		186,139	380,737
Financial assets at fair value through profit or loss		505,830	189,393
Cash and bank		471,461	645,363
Total current assets		1,715,183	1,710,338
CURRENT LIABILITIES			
Trade and notes payables	11	156,764	130,417
Other payables and accruals		239,907	169,772
Interest-bearing bank borrowings		216,776	-
Lease liabilities		66	-
Income tax payable		5,809	19,945
Total current liabilities		619,322	320,134
NET CURRENT ASSETS		1,095,861	1,390,204
TOTAL ASSETS LESS CURRENT LIABILITIES		2,167,065	2,045,895
NON-CURRENT LIABILITIES			
Government grants		1,200	1,508
Deferred tax liabilities		66,474	52,987
Other liabilities		70,238	70,238
Lease liabilities		2,841	-
Total non-current liabilities		140,753	124,733
Net assets		2,026,312	1,921,162

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2019

	Notes	2019 *RMB'000*	2018 *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Issued capital		82,867	84,197
Treasury shares		(161)	-
Reserves		1,942,930	1,836,965
		2,025,636	1,921,162
Non-controlling interests		676	-
Total equity		2,026,312	1,921,162

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss that have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interest in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, amendments to IAS 19, amendments to IAS 28 and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and office equipment. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was to increase right-of-use assets of RMB65,416,000, which was reclassified from property, plant and equipment of RMB27,323,000 and land use rights of RMB38,093,000.

Since the operating lease commitments as at 31 December 2018 of RMB42,000 are related to short-term leases with remaining lease term ended on or before 31 December 2019, with the property and land use rights were fully prepaid, the lease liabilities was reported as nil as at 1 January 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable segments as follows:

a) Manufacture and sale of intermediates and bulk medicines (the "intermediates and bulk medicines" segment)
b) Manufacture and sale of finished drugs (including antibiotics finished drugs and non-antibiotics finished drugs) (the "finished drugs" segment)

Management monitors the operating results of these operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs, government grants, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and bank, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2019	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Elimination of intersegment sales *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	236,246	713,761	-	950,007
Intersegment sales	38,637	-	(38,637)	-
	274,883	713,761	(38,637)	950,007
Segment results	(1,267)	418,035	-	416,768
Reconciliation:				
Unallocated gains				45,950
Corporate and other unallocated expenses				(143,377)
Finance costs (other than interest on lease liabilities)				(5,247)
Profit before tax				314,094

Year ended 31 December 2018	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Elimination of Intersegment Sales *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	210,519	738,419	-	948,938
Intersegment sales	37,679	-	(37,679)	-
	248,198	738,419	(37,679)	948,938
Segment results	2,912	489,683	-	492,595
Reconciliation:				
Unallocated gains				45,118
Corporate and other unallocated expenses				(158,784)
Finance costs				(1,152)
Profit before tax				377,777

3. SEGMENT INFORMATION (continued)

As at 31 December 2019	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Total *RMB'000*
Segment assets:	448,157	754,425	1,202,582
Reconciliation:			
Corporate and other unallocated assets			1,583,805
Total assets			2,786,387
Segment liabilities:	122,703	136,713	259,416
Reconciliation:			
Corporate and other unallocated liabilities			500,659
Total liabilities			760,075

As at 31 December 2018	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Total *RMB'000*
Segment assets:	369,428	639,193	1,008,621
Reconciliation:			
Corporate and other unallocated assets			1,357,408
Total assets			2,366,029
Segment liabilities:	92,989	94,191	187,180
Reconciliation:			
Corporate and other unallocated liabilities			257,687
Total liabilities			444,867

Geographical information

(a) Revenue from external customers

	2019 *RMB'000*	2018 *RMB'000*
Mainland China	859,305	823,598
Other countries	90,702	125,340
	950,007	948,938

The revenue information above is based on the locations of the customers.

3. SEGMENT INFORMATION (continued)

(b) Non-current assets

The Group's operations are substantially based in Mainland China and 95% of the non-current assets, excluding deferred tax assets and investments in an associate, of the Group are located in Mainland China. Therefore, no further analysis of geographical information is presented.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	950,007	948,938

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Intermediates and bulk medicines	Finished drugs	Total
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services			
Sale of goods	232,071	713,761	945,832
Rendering of pilot test services	4,175	-	4,175
Total revenue from contracts with customers	236,246	713,761	950,007
Geographical markets			
Mainland China	151,693	707,612	859,305
Other countries	84,553	6,149	90,702
Total revenue from contracts with customers	236,246	713,761	950,007
Timing of revenue recognition			
Goods transferred at a point in time	232,071	713,761	945,832
Services transferred over time	4,175	-	4,175
Total revenue from contracts with customers	236,246	713,761	950,007

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Intermediates and bulk medicines	Finished drugs	Total
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services			
Sale of goods	208,426	738,419	946,845
Rendering of pilot test services	2,093	-	2,093
Total revenue from contracts with customers	210,519	738,419	948,938
Geographical markets			
Mainland China	127,551	696,047	823,598
Other countries	82,968	42,372	125,340
Total revenue from contracts with customers	210,519	738,419	948,938
Timing of revenue recognition			
Goods transferred at a point in time	208,426	738,419	946,845
Services transferred over time	2,093	-	2,093
Total revenue from contracts with customers	210,519	738,419	948,938

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of pharmaceutical products

The performance obligation is satisfied upon delivery of the pharmaceutical products and payment is generally due within 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

Rendering of pilot test services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Pilot test service contracts are for periods of one year or less, or are billed based on the time incurred.

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Rendering of pilot test services (continued)

The amounts of transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	15,463	13,897

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income	2019 *RMB'000*	2018 *RMB'000*
Bank interest income	17,041	32,445
Dividend income from financial assets at fair value through profit or loss	485	258
Rental income	258	1,431
Government grants	11,589	6,642
Foreign exchange gains	2,298	-
Others	1,586	1,107
	33,257	41,883
Gains		
Gain on sales of scrapped materials	952	1,445
Gain on disposal of financial assets at fair value through profit or loss	11,466	1,400
Fair value gains, net:		
Financial assets at fair value through profit or loss	2,396	236
Gain on disposal of a subsidiary	-	2,959
	14,814	6,040
	48,071	47,923

5. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	4,455	801
Interest on lease liabilities	62	-
Interest on discounting of notes receivable	792	351
	5,309	1,152

6. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold*	413,382	350,727
Depreciation of property, plant and equipment	49,620	50,974
Depreciation of right-of-use assets (2018: Amortisation of prepaid land lease payments)**	1,993	1,041
Research and development costs:		
Amortisation of intangible assets***	1,762	418
Current year expenditure	47,889	45,934
	49,651	46,352
Minimum lease payments under operating leases	-	236
Lease payments not included in the measurement of lease liabilities	724	-
Auditors' remuneration:		
Statutory audit service	1,980	1,510
Non-statutory audit service	690	780
Non-audit service	-	250
	2,670	2,540
Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	100,043	95,427
Equity-settled share option expense	4,181	5,312
Retirement benefits	8,087	7,821
Accommodation benefits	4,346	3,866
Other benefits	23,001	14,478
	139,658	126,904

6. PROFIT BEFORE TAX (continued)

	2019	2018
	RMB'000	*RMB'000*
Foreign exchange differences, net	(2,298)	182
Impairment of intangible assets	6,438	1,697
Impairment of property, plant and equipment	102	-
Write-down of inventories to net realisable value	10,142	4,383
Fair value gains, net:		
Financial assets at fair value through profit or loss	(2,396)	(236)
Bank interest income	(17,041)	(32,445)
Loss on disposal of items of property, plant and equipment	656	346
Gain on disposal of financial assets at fair value through profit or loss	(11,466)	(1,400)
Gain on disposal of a subsidiary	-	(2,959)
Expense-off of intangible assets	-	4,600

* The depreciation of RMB37,816,000 for the year (2018: RMB40,390,000) is included in "Cost of inventories sold".

** The depreciation of right-of-use assets for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

*** The amortisation of intangible assets for the year is included in "Other expenses" on the face of the consolidated statement of profit or loss.

7. INCOME TAX

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	2019	2018
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	62,322	75,091
Deferred income tax	(3,584)	(1,274)
Total tax charge for the year	58,738	73,817

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations. The undertaking for the Company is for a period of 20 years from 8 October 2002. Accordingly, the Company is not subject to tax.

7. INCOME TAX (continued)

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

The Hong Kong subsidiaries are subject to tax at a statutory corporate income tax rate of 16.5% (2018: 16.5%) under the income tax rules and regulations of Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in its respective Hong Kong subsidiaries during the year (2018: Nil).

According to the PRC Enterprise Income Tax Law effective from 1 January 2008, the Mainland China Subsidiaries are all subject to income tax at the rate of 25% on their respective taxable income.

On 21 October 2008, Suzhou Dawnrays Pharmaceutical Co., Ltd. ("Suzhou Dawnrays Pharmaceutical") was qualified as a High-New Technology Enterprise ("HNTE") of Jiangsu Province. As a result, Suzhou Dawnrays Pharmaceutical had been entitled to a concessionary rate of income tax at 15% for three years commencing on 1 January 2008 and would apply for renewal of the qualification every three years.

On 2 December 2019, Cinmed Pharmaceuticals Co., Ltd. ("Cinmed Pharmaceuticals") was qualified as HNTE of Fujian Province. As a result, Cinmed Pharmaceuticals had been entitled to a concessionary rate of income tax at 15% for three years commencing on 1 January 2019 and would apply for renewal of the qualification every three years.

All other subsidiaries in Mainland China were subject to corporate income tax at a rate of 25% in 2019.

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

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country or jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

7. INCOME TAX (continued)

	2019 *RMB'000*	2018 *RMB'000*
Accounting profit before income tax	314,094	377,777
At the PRC's statutory income tax rate of 25% (2018: 25%)	78,524	94,444
Tax effect of profits entitled to tax concession or lower tax rate enacted by local authority	(30,371)	(38,229)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	12,753	15,929
Adjustments in respect of current income tax of previous years	2,823	106
Expenses not deductible for tax	633	3,951
Tax credit for qualified research and development costs	(5,009)	(4,549)
Tax losses not recognised	3,499	2,813
Tax losses utilised from previous periods	(4,114)	(648)
At the effective income tax rate of 18.70% (2018: 19.54%)	58,738	73,817

8. DIVIDENDS

	2019 *RMB'000*	2018 *RMB'000*
Interim – HK$0.015 (2018: HK$0.015) per ordinary share	21,431	21,036
Special – HK$0.075 per ordinary share	-	105,179
Proposed final – HK$0.043 (2018: HK$0.06) per ordinary share	61,358	81,450
	82,789	207,665

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of 1,575,362,000 shares (2018: 1,586,382,000 shares) in issue during the year.

The calculation of diluted earnings per share for the period is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	255,430	303,960

	Number of shares	
	2019	2018
	Thousands	Thousands
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,575,362	1,586,382
Effect of dilution – weighted average number of ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	1,575,362	1,586,382

10. TRADE AND NOTES RECEIVABLES

	Notes	2019	2018
		RMB'000	*RMB'000*
Trade receivables	(i)	207,379	199,614
Notes receivable	(ii)	163,615	147,188
		370,994	346,802
Impairment		-	-
		370,994	346,802

10. TRADE AND NOTES RECEIVABLES (continued)

Notes:

(i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months for major customers. Each customer has a credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to manage credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

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

	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	171,276	170,203
Between 91 and 180 days	16,380	20,030
Between 181 and 270 days	11,161	7,621
Between 271 and 360 days	3,630	1,742
Over one year	4,932	18
	207,379	199,614

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

From 1 January 2018, the Group has applied the simplified approach to provide impairment for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs below also incorporate forward-looking information. The impairment is determined as follows:

	2019	2018
Expected credit loss rate	<0.1%	<0.1%
Gross carrying amount (RMB'000)	207,379	199,614
Impairment (RMB'000)	-	-

(ii) Notes receivable are held with a business model with the objective of both holding to collect contractual cash flows and selling as the Group sometimes endorses notes receivable to suppliers prior to their expiry date. These are classified and measured as debt instruments at fair value through other comprehensive income and presented as trade and notes receivables.

10. TRADE AND NOTES RECEIVABLES (continued)

Notes: (continued)

(ii) (continued)

Financial assets that are not derecognised in their entirety

At 31 December 2019, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") with a carrying amount of RMB18,638,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Notes, including sale, transfer or pledge of the Endorsed Notes to any other third parties. The aggregate carrying amounts of the trade payables and other payables settled by the Endorsed Notes during the year to which the suppliers have recourse were RMB9,136,000 and RMB9,502,000 as at 31 December 2019, respectively.

At 31 December 2019, the Group discounted certain notes receivable accepted by banks in the PRC (the "Discounted Notes") with a carrying amount of RMB19,399,000. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes, and accordingly, it continued to recognise the full carrying amounts of the Discounted Notes and the associated short-term borrowings. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Notes, including sale, transfer or pledge of the Discounted Notes to any other third parties. The aggregate carrying amount of short-term borrowings arising from the Discounted Notes was RMB19,399,000 as at 31 December 2019.

11. TRADE AND NOTES PAYABLES

An ageing analysis of the trade payables and notes payable as at the end of the reporting period is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Outstanding balances with ages:		
Within 90 days	102,243	83,169
Between 91 and 180 days	53,942	46,661
Between 181 and 270 days	143	114
Between 271 and 360 days	100	34
Over one year	336	439
	156,764	130,417

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and notes payables approximate to their fair values. The aggregate carrying amount of the trade payables settled by the Endorsed Notes during the year to which the suppliers have recourse was RMB9,136,000 as at 31 December 2019.

CHAIRMAN'S STATEMENT

GROUP RESULTS

The Group has recorded revenue of approximately RMB950,007,000 for the year ended 31 December 2019 (2018: RMB948,938,000), representing an increase of 0.1%, basically flat as compared to 2018. Profit attributable to owners of the parent was approximately RMB255,430,000 (2018: RMB303,960,000), representing a decrease of 16.0% over 2018.

The decrease in profit was mainly due to a significant decrease in sales of Entecavir Dispersible Tablets, a specific medicine of the Group, as compared with last year.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.043 per share for the year ended 31 December 2019, amounting to the total sum of approximately HK$66,681,000 (equivalent to approximately RMB61,358,000), to the shareholders whose names appeared in the register of members as of Wednesday, 3 June 2020 subject to the approval of the shareholders at the forthcoming 2020 Annual General Meeting (the "2020 AGM"). The annual dividend payout ratio remains approximately 32.4%.

BUSINESS REVIEW AND PROSPECT

After the publication of a series of medical and pharmaceutical policies involving payment under the medical insurance scheme, medicine research and development, medicine circulation, group purchasing organization, and essential drug list in the past few years, the government promulgated the revised Pharmaceutical Administration Law in 2019 and further promoted centralized procurement of drugs nationwide. The revised law, together with the continuously deepened mechanism for centralized procurement of drugs, has imposed new operation standards and requirements on the pharmaceutical industry in China. In the high-pressure atmosphere, businesses are continuously changed and get more in line with international markets. Therefore, in terms of product market access, research and development, and business model for medicines, industry stakeholders must adapt to the industry changes and make a rapid response to seek room for sustainable development.

So far, China's pharmaceutical industry is still dominated by enterprises that are mainly engaged in research and development, production and sales of generic drugs. As one of the market players, the Group has always taken cephalosporin antibiotics and specific medicines as the core business products, which have generated considerable revenue and profits. According to the policies of the state on the quality and efficacy consistency evaluation of generic drugs published several years ago, the Group has advanced relevant work in a timely manner. Up to now, a total of four core products have passed the evaluation. With such products, the Group participated in recent two rounds of centralized procurement organized by the state and won the bid for Amlodipine Besylate Tablets, Entecavir Dispersible Tablets and Levocetirizine Dihydrochloride Tablets respectively, thus confirming the sales and market shares of the products during the period of supply specified in contracts, which is conducive to stabilizing the revenue of the Group during that period of time.

During the reporting period, the Group actively promoted the consistency evaluation of many existing varieties, so as to increase the recognition of their product quality and make them possessing basic condition required in centralized procurement, with a view to increase the Group's opportunity in participating the centralized procurement in the future so as to expand the source of revenue. In addition to focusing on normal centralized procurement markets, in terms of non-centralized procurement markets, the Group will continue to use its internal resources and brand advantages to strengthen its overall marketing arrangements and operations to grab a market share, and strive for maximizing revenue with a higher gross profit margin, to mitigate the impact of a decrease in the gross profit of products selected for centralized procurement.

As is known to all, the government's policies of group purchasing organization and negotiation on the inclusion of drugs in the medical insurance scheme have caused a decrease in the supply prices of major drugs to their basic values, for more effective use of resources for which payment is made under the medical insurance scheme, and for improvement in the accessibility of high-quality medicines, thus benefiting the general public. As far as pharmaceutical enterprises are concerned, in such a policy environment, the gross profits of related products will inevitably and continuously be squeezed, thus increasing the uncertainty of corporate operation and the difficulties in achieving business targets.

Despite the increasing challenges in market operation, the Company has adopted targeted product development and investment strategies in response to the future development of the market according to the financial resources of the Group. It has strengthened the product mix of the Group and pipelines of products under development, with a view to stabilizing the business size of the Group and maintaining moderate growth after various plans pay off. During the reporting period, Dawnrays International Company Limited (東瑞國際股份有限公司), a member of the Group, acquired the entire equity interest in Top Field Limited ("TFL") in cash, thus owning all assets of TFL and its subsidiaries, including cardiovascular drug business with but not limited to Atorvastatin Calcium Tablets, which enriches the Group's product line and enhances the Group's strength in the field. During the year, upon obtaining the management right of TFL's subsidiary, the Group got into its business operation proactively with satisfactory progression, the Group won the bid for Atorvastatin Calcium Tablets in the centralized procurement of drugs organized by the state. In addition to the aforementioned acquisition, Suzhou Dawnrays Pharmaceutical Co., Ltd., a member of the Group, as the transferee, accepted the transfer of the marketing authorization holder in respect of Febuxostat tablets (40mg, 80mg), a drug for gout treatment, and bulk medicines, in order to expand the range of products the Group can offer in the future.

In order to facilitate the Group's technological innovation in the research and development of preparation products, especially specific medicines, Nanjing PharmaRays Science and Technology Ltd., a joint venture enterprise established by the Group and external entities, started operation during the year. The company focuses on the innovation of pharmaceutical science and technologies, especially the development of new drug products, using new technologies of drug delivery systems. The company is independent and self-sustaining. The Group has the priority to acquire and use research and development results of the company for a fair consideration, under fair conditions.

In addition, Phase II and Phase I pre-clinical preparations have been carried out respectively for clinical trials for Class I new drug registration of AK102 (proposed to be used for lowering cholesterol levels) and AK109 (proposed to be used for treating gastric cancer, lung cancer and rectal cancer), both of which are monoclonal antibody agents developed by AD Pharmaceuticals Co., Ltd., a joint venture enterprise of the Group.

Due to land replotting requirements of the local government, Suzhou Dawnrays Pharmaceutical Co., Ltd., a subsidiary of the Group, is making efforts to advance the plan for relocating the plants located at Tianling Road. In addition, based on the land and environment reorganized requirements of the local government and the long-term development strategy considerations of the Group, the Group will phase out the production facility of Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd.

("Dawnrays (Nantong)") and plan to establish a new production base in Chemical Industry Park, Lanzhou New District, Gansu Province. Lanzhou Dawnrays Pharmaceutical Co., Ltd., a wholly-owned subsidiary incorporated by the Group at the end of December 2019, is responsible for relevant work of the project. The Group expects that the relocation of the plants will not materially and adversely affect the existing conventional production. The Group will take this opportunity from the relocation, to optimize the technologies and production facilities for intermediates and bulk medicines, with a view to creating cost and quality advantages of downstream products, giving full play to the corporate strength in the integration of bulk medicines and preparations, and improving the probability of business success in the long run.

Looking ahead to the market development, the Group is fully aware that under the policy of centralized procurement and group purchasing organization, the continuous decrease in the drug price has been an irreversible trend of the market, and the inter-industry competition will be fiercer. However, under the policy environment of in-depth advancement of the "big health" strategy by the state, and with rapid population ageing in China, there is a continuous increase in the citizens' demand for drugs, and resultantly huge room for the development of the pharmaceutical market, as well as expected continuous growth in the market capacity. The Group will continuously invest resources through various channels to accelerate the research progress of the existing products under research. At the same time, the Group will strive to pursue product and technology upgrades, extend the existing product line and form a number of technically accomplished product portfolios. The Group expects that subject to the successful implementation of relevant plans, new products will be granted marketing authorization in the foreseeable future, and even become a new source of revenue for the Group after launching.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the review period, in a highly competitive market environment, the Group's sales volume of anti-hypertensive drug in "An" (安) series medicines increased by 18.2% as compared with 2018. The sales volume of Entecavir Dispersible Tablets increased by 32.5%, while the sales volume of anti-allergic drug "Xikewei" (西可韋) (Cetirizine Hydrochloride Tablets) remained unchanged as compared with last year. The sales of cephalosporin finished medicines were relatively stable. The competitiveness of cephalosporin intermediates and bulk medicines was enhanced significantly due to continuous improvement in product quality and production cost reduction by the Group. The sales volume increased by 7.5%.

During the period, the Group's marketing management personnel adjusted the Group's product marketing ideas and sales strategies appropriately in response to the rapid changes in the market, strengthened the allocation of resources, optimized the supply and marketing system, and developed new markets. The Group actively seized the opportunity brought about by centralized procurement of drugs in national alliance member regions. In centralized procurement of drugs in alliance member regions, the Group won bids with regard to its three main products, namely "Anneizhen" (安內真) (Amlodipine Besylate Tablets, 5mg), "Ruifuen" (瑞夫恩) (Entecavir Dispersible Tablets, 0.5mg), "Shumaitong" (舒邁通) (Atorvastatin Calcium Tablets, 10mg), which plays an active role in securing a market share for its products and brand building. The marketing management personnel of the Group will take this opportunity to continuously deepen the market work, so as to improve the organizational control for all levels of markets and make every effort to ensure that there will be reasonable growth in sales of the above products by 2020, thus contributing to profits of the Group.

ANTI-HYPERTENSIVE PRODUCTS

Hypertension is the most common chronic non-communicable disease. According to medical statistics, the prevalence rate of hypertension among Chinese residents aged 18 and above is over 25%, so anti-hypertensive drugs have a broad market prospect. The Group paid special attention to market development in this field, and participated in the national "Chinese Hypertension Intervention Efficacy Study" (CHIEF). The Group cooperated with more than 150 medical institutions to provide anti-hypertensive drugs for over 10,000 patients, so the Group enjoyed favourable brand reputation among doctors and hypertension patients.

During the period, considering the tendency that the product market of common anti-hypertensive drugs extended downwards from the first terminal, the Group's marketing management carried out precise design and control of the key marketing impact points such as sales channels and sales price of major product "Anneizhen" (安内真) (Amlodipine Besylate Tablets), strengthened allocation of resources, and attached importance to reinforcing the promotion activities of the second and third market terminals, thereby ensuring the continual sales of such products on the market and guaranteeing the stability of market shares. Based on the Group's integration of the survey data of market research institutions, the sales of "Anneizhen" (安内真) was placed the leading position among similar products on the second and third market terminals in many cities and provinces, and occupied considerable market shares. Moreover, in terms of sales of another anti-hypertensive drug "Anneixi" (安内喜) (Losartan Potassium and Hydrochlorothiazide Tablets) of the Group, it ranked among the top domestic brands. Along with the further refined management in the future, it is anticipated that "Anneixi" (安内喜) will become the Group's second star product for anti-hypertension. In the future, the Group's marketing management team will focus more attention on brand planning, channel planning, price planning and academic promotion of the "An" (安) series products, strengthen the access design of products to different markets by closely following up national policies related to chronic disease management, and further expand the new market.

ANTIHYPERLIPIDEMIC PRODUCTS

Hyperlipidemia is the most common chronic non-communicable disease, and is one of main pathogenic risk factors in the occurrence and development of atherosclerotic cardiovascular disease (ASCVD) in Chinese residents. According to statistics, the awareness rate, treatment rate and control rate of dyslipidemia for the people aged at or above 18 years old in China are 31.0%, 19.5% and 8.9% respectively, and thus the market prospect of antihyperlipidemic drugs is promising. In order to enrich the cardiovascular product line, the Group indirectly owned Cinmed Pharmaceuticals Company Limited ("Cinmed Pharmaceuticals") through acquiring a 100% equity interest in Top Field Ltd. during the year. Cinmed Pharmaceuticals obtained the approval for the production of atorvastatin calcium (10mg) in February 2019. The management and sales personnel of the Group made a timely response. After the delivery of Cinmed Pharmaceuticals in May, the product was quickly launched in large quantities, with better-than-expected sales performance. During the reporting period, the sales volume of the product reached 150 million tablets.

ANTIVIRAL PRODUCTS

According to market information, Entecavir is currently "basic" medicine for clinical treatment of hepatitis B, accounting for more than half of the nucleoside drugs. There was a steady increase in the domestic market share of Entecavir Dispersible Tablets of the Group by virtue of the "unique cyclodextrin inclusion technology". During the period, under the full efforts of the Group's sales teams, all the market promotion work was successfully implemented, and by virtue of winning the bid for centralized procurement of drugs in national alliance member regions, better domestic sales results than expected were obtained, remarkable growth in sales volume as compared to 2018 was recorded, and the long-term stable market foundation was laid for Entecavir. Meanwhile, in response to change in national medical insurance policies and the implementation of centralized procurement of drugs, the Group adjusted marketing strategies in a timely manner, enhanced promotion to retail terminal, and

further tapped the market potential of the product. However, due to the extended impact arising from the 4+7 centralized procurement of drugs carried out in 2018, the sales unit price of Entecavir dropped significantly during the reporting period, thus a greater impact on the Company's performance in 2019 caused.

ANTI-ALLERGIC PRODUCTS

Cetirizine Hydrochloride and Levocetirizine Dihydrochloride are antihistamine drugs without central nervous sedation. They are the first choice for community clinics to treat allergies and are included in the national list of low-price drugs. During the period, the Group's marketing management deeply researched into "Xikewei" (西可韋) (Cetirizine Hydrochloride Tablets) and "Xikexin" (西可新) (Levocetirizine Dihydrochloride Tablets), the competitive products, business customers, etc., and made a corresponding adjustment to marketing policy, thereby ensuring its stable market shares. As the selling price of such products was too low, many competitive enterprises paid less attention to similar products. Therefore, the Group spared no effort to promote the quality and efficacy consistency evaluation of generic drugs, for "Xikewei" (西可韋) (Cetirizine Hydrochloride Tablets) and "Xikexin" (西可新) (Levocetirizine Dihydrochloride Tablets), and took the lead in acquiring the quality advantages of consistency evaluation, so as to further reinforce and enhanced the sales volume and market share of "Xikewei" (西可韋) and "Xikexin" (西可新). During the reporting period, "Xikewei" (西可韋) and "Xikexin" (西可新) of the Group passed the consistency evaluation. The Group won the bid for "Xikexin" (西可新) in the second round of national centralized procurement of drugs.

FINISHED CEPHALOSPORIN PRODUCTS

The finished cephalosporin product has had a significant share of China's antibiotics market for a long time due to its good efficacy and safety, and there will always be broad market space for the product due to factors such as environmental pollution (e.g., haze) and enormous social population. In recent years, the restriction on the use of antibiotics, tenders and other factors have inhibited the R&D, production and sales of the Group's products. In view of this, the Group's management optimized the product mix based on the actual market circumstances and corporate strengths, and made certain achievements in satisfying capacity and sales needs. Meanwhile, consistency evaluation has been actively carried out, which will lay a good foundation for the subsequent development of the products.

INTERMEDIATES AND BULK MEDICINES

During the review period, for its business of intermediates and bulk medicines for cephalosporin antibiotics, the Group actively carried out related review and filing work to further consolidate its market share. In order to improve the market competitiveness of its products and realize the integrated production of raw materials and preparations, the Group took the opportunity brought about by the relocation of Dawnrays (Nantong), to invest in the construction of a production base for bulk medicines and intermediates in the Chemical Industry Park of Lanzhou New District. For the project, Dawnrays (Nantong) has applied to the Management Committee of the Lanzhou New District for the purchase of 250 mu of land to be developed as a production base with annual capacities of 650 tons of cephalosporin bulk medicines and intermediates, 116 tons of system specific bulk medicines, 250 tons of raw materials of enzyme inhibitors and 230 tons of raw materials of health supplements, with the phase I investment of approximately RMB430 million.

DEVELOPMENT OF A NEW PRODUCT FIELD

Gout is a crystal-related arthropathy caused by monosodium urate (MSU) deposition, which is directly related to hyperuricemia caused by purine metabolic disorder and/or uric acid excretion reduction. Gout may be complicated with renal diseases, and joint damage and renal function damage may occur in severe cases. It is often accompanied by hyperlipidemia, diabetes, arteriosclerosis, coronary heart disease, etc. Public data show that with the continuous improvement in people's living standards, the incidence rate of hyperuricemia or gout is getting higher and higher, and there is an increasing number of young patients with hyperuricemia or gout. The number of hyperuricemia patients in China has

reached 120 million, of which nearly 80 million are gout patients, and the incidence rate of gout has risen sharply at a rate of 9.7% every year. In order to enrich the Group's product line, on 24 December 2019, Suzhou Dawnrays Pharmaceutical Co. Ltd., a subsidiary of the Group, signed an agreement with Nanjing Haina Medical and Pharmaceutical Technology Company Limited (南京海納醫藥科技股份有限公司), an independent third party, with regard to the transfer of marketing authorization holder of Febuxostat Tablets (40mg, 80mg) and bulk medicines for gout treatment. Details of the transaction have been published in the announcement of the Company dated 24 December 2019. Accepting the transfer of the marketing authorization holder of Febuxostat Tablets (40mg, 80mg) and bulk medicines will bring about a new source of profit growth for the Group.

PRODUCT RESEARCH AND DEVELOPMENT

Apart from the description in the following section of "NEW PRODUCTS AND PATENT LICENSING", the Group's ongoing research projects cover the therapeutic areas of circulatory system, digestive system, endocrine system, antiviral drugs, etc. The Group will continue investing more resources in production technology and product R&D and innovation, and seek after various scientific research cooperation opportunities so as to strengthen our product mix and profitability foundation.

CONSISTENCY EVALUATION

As at 31 December 2019, the Group carried out quality consistency research into 18 varieties. Clinical research into the bioequivalence (BE) of 7 varieties had been completed and applications for their consistency evaluation were submitted to the Center for Drug Evaluation, NMPA. Applications for 4 varieties (Amlodipine Besylate Tablets (5mg), Entecavir Dispersible Tablets (0.5mg), Cetirizine Hydrochloride Tablets (10mg) and Levocetirizine Dihydrochloride Tablets (5mg)) were approved. In addition, clinical research into the bioequivalence (BE) of 2 varieties and pharmaceutical research into 9 varieties are being carried out.

IMPACT OF CENTRALIZED PROCUREMENT OF DRUGS

Following the bidding for the 4+7 centralized procurement of drugs in 2018, the state carried out another centralized procurement of drugs in national alliance member regions in September 2019. Centralized procurement of drugs presents great challenges to the original drug sales model and an opportunity. Under the group purchasing organization policy, the prices have been greatly reduced, which makes it difficult for generic drug enterprises to obtain high profit margin as before. In addition, with the in-depth promotion of consistency evaluation and group purchasing organization, the arrangements for generic drugs are reconstructed. For the generic drug industry, the accessibility of bulk medicines of generic drugs, production costs, product quality and brand, and diversified product pipelines will be the key to the competitiveness of an enterprise. Future procurement and sales depend on market access. The Group has actively responded to the challenges in the industry, given full play to its comprehensive competitive advantages such as production cost, product quality and brand, and participated in centralized procurement of drugs. At the same time, with its brand influence, it has integrated resources, formulated personalized product marketing strategies and developed product sales channels to ensure the revenue of the Group's products.

OTHER MATTERS

During the period, the Group continued improving production, product quality, human resources, internal audit etc., and endeavored to enhance the risk control capability and improve the operating level of various systems, in an attempt to maintain the Group's sustainable development in the fierce business competition environment.

PRODUCTION AND SALES

For the year ended 31 December 2019, the Group's production volume and sales volume of intermediates and bulk medicines respectively decreased by 9.4% and increased by 7.5% as compared to that in 2018. The production volume and sales volume of cephalosporin powder for injection decreased by 20.1% and increased by 1.7% respectively, as compared with last year. The decrease in the production volume of powder for injection was mainly due to dropped processing agency businesses. The production volume of solid-dosage-forms increased by 25.5% as compared with last year, while the sales volume increased by 34.2% as compared with last year. As for the international business, the Group kept expanding its overseas market, in spite of the failure to win the bid in respect of "Entecavir" (恩替卡韋) in the Hong Kong market. The sales in the overseas market accounted for 9.5% of the overall sales of the Group, representing a decrease of 3.7 percentage points as compared with last year.

NEW PRODUCTS AND PATENT LICENSING

(1)In 2019, applications including three Abbreviated New Drug Application ("ANDA") documents and two supplementary applications for consistency evaluation were submitted to the National Medical Products Administration. Two drug production approvals and two supplementary approvals for consistency evaluation were granted by National Medical Products Administration. Six other supplementary approvals were granted by Jiangsu Medical Products Administration.

(2) Three invention patents obtained in 2019

(i) The invention patent (Patent No.: ZL201510256115.1) was granted for "A kind of Cetirizine Hydrochloride Tablets and Preparation Technology thereof " on 11 June 2019.

(ii) The invention patent (Patent No.: ZL201710137236.3) was granted for "A kind of Telmisartan Tablets with Stable Dissolution Performance and Preparation Process thereof" on 5 November 2019.

(iii) The invention patent certificate (Patent No.: ZL201710668517.1) was granted for "A kind of Pyridoxal Phosphate Intermediate and Preparation Process thereof" on 19 November 2019.

(3) A total of three utility model patent certificates obtained in 2019

(i) A utility model patent (Patent No.: ZL201820948153.2) was granted for "A Metformin Hydrochloride Tablet Tableting Device" on 18 January 2019.

(ii) A utility model patent (Patent No.: ZL201821421660.7) was granted for "A Particle Screening Device for Preparation of Azithromycin Tablets" on 29 March 2019.

(iii)A utility model patent (Patent No.: ZL201820948111.9) was granted for "A Granulator Mixer for Clarithromycin Tablets" on 29 November 2019.

HONORS AWARDED IN 2019

Time of Awards	Honors
April 2019	Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd. obtained the "Work Safety Standardization Grade II Enterprise (Hazardous Chemicals)" certificate.
May 2019	Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd. obtained the "Work Safety License".
June 2019	Suzhou Dawnrays Pharmaceutical Co., Ltd. (research and development center) was recognized as one of the "First Foreign-Invested Research and Development Centers Meeting the Import Tax Policy in 2019 in Jiangsu Province".
September 2019	Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized as "2017-2018 Trustworthy Enterprise in Suzhou".
October 2019	- Suzhou Dawnrays Pharmaceutical Co., Ltd. obtained the certificate of "Informatisation and Industrialisation Integration Management System Assessment" from the Ministry of Industry and Information Technology. - Suzhou Dawnrays Pharmaceutical Co., Ltd. ranked among "2019 Top 100 Industrial Enterprises in Chemical-Pharmaceutical Industry in China in terms of Comprehensive Strength". - Suzhou Dawnrays Pharmaceutical Co., Ltd. won the title of "2019 Excellent Anti-Hypertensive Product Brand in Chemical-Pharmaceutical Industry in China" for Amlodipine Besylate Tablets.
November 2019	Cinmed Pharmaceuticals Company Limited was recognized as "Fujian High and New Technology Enterprise (SG20190819)".
December 2019	Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. was approved to renew the certificate of "Work Safety Standardization Grade II Enterprise (Hazardous Chemicals)".
January 2020	- Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized as "Top Ten Star Enterprises (Industrial) in Suzhou Wuzhong Economic Development Zone". - Cinmed Pharmaceuticals Company Limited won the "First Prize for Top Taxpayers of 2019" from Licheng District People's Government, Licheng District Party Committee, CPC.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the year ended 31 December 2019, the Group recorded a turnover of approximately RMB950,007,000, increased by RMB1,069,000 or 0.1% compared with last year. Of which the turnover of intermediates and bulk medicines was RMB236,246,000, increased by RMB25,727,000 or 12.2% compared with last year. The turnover of finished drugs was RMB713,761,000, decreased by RMB24,658,000 or 3.3% compared with last year. Overall turnover is comparable to last year.

Sales amount of finished drugs, comprising system specific medicines, powder for injection and tablets of cephalosporin and other oral solid-dosage-form of antibiotics, reached approximately RMB713,761,000. Taking into account of the total turnover, sales amount of finished drugs was approximately 75.1%, decreased by 2.7 percentage points compared with last year. Sales amount of system specific medicines accounted for 91.7% of sales of finished drugs.

Gross profit was approximately RMB535,869,000, decreased by RMB59,160,000 compared with last year, representing a decrease of 9.9%. Gross profit margin decreased by approximately 6.3 percentage points to 56.4% from 62.7% as in last year. It was mainly affected by the decrease of Entecavir's sales unit price.

TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER			SALES BREAKDOWN		
	(RMB'000)	(RMB'000)	(RMB'000)	(%)	(%)	Percentage points
	2019	2018	Changes	**2019**	2018	Changes
Intermediates and Bulk Medicines	**236,246**	210,519	25,727	**24.9**	22.2	2.7
Finished Drugs	**713,761**	738,419	-24,658	**75.1**	77.8	-2.7
Overall	**950,007**	948,938	1,069	**100.0**	100.0	-

EXPENSES

During the year, the total expenses incurred were approximately RMB258,017,000, equivalent to 27.2% of turnover (2018: 26.5%). The total expenses increased by approximately RMB6,891,000 compared with last year which was RMB251,126,000. The selling and distribution expenses decreased by RMB22,042,000 compared with last year due to adjustment in sales model. Administrative expenses increased by RMB13,903,000 compared with last year mainly due to the addition of Cinmed Pharmaceuticals' administrative expenses. Finance expenses was RMB5,309,000, mainly loan interest of working capital. Other expenses increased by RMB10,873,000 compared with last year, mainly due to the increase in research and development expenses.

SEGMENT PROFIT

For the year ended 31 December 2019, the segment profit of finished drugs segment was approximately RMB418,035,000, decreased by RMB71,648,000 when compared with 2018 which was RMB489,683,000 mainly attributable to the effect of decrease in Entecavir's gross profit. The segment results of intermediates and bulk medicines segment recorded loss of approximately RMB1,267,000, while it was a gain of RMB2,912,000 in 2018. The increased loss was mainly attributable to the provision of various losses for Dawnrays (Nantong)'s relocation.

INTERESTS AND RIGHTS IN ASSOCIATE

During the year, AD Pharmaceuticals Co., Ltd., which was invested by the Group's subsidiary Dawnrays Biotechnology Capital (Asia) Ltd., has launched Phase II clinical trial and Phase I pre-clinical preparation for registration of Class I new drugs of monoclonal antibody agent AK102 (proposed to be used to lower cholesterol levels) and AK109 (proposed to be used to treat gastric cancer, lung cancer and rectal cancer) respectively. For the year ended 31 December 2019, AD Pharmaceuticals Co., Ltd. reported loss for the year of RMB33,797,000 including the R&D and administrative expenses. As a result, the Group shared, in proportion to the investment percentage, an investment loss of approximately RMB11,829,000 in 2019 (2018: RMB14,049,000). At 31 December 2019, the Group had carried out impairment test and assessment for the investment in the associate and was of the view that it was unnecessary to make provision for impairment.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2019, profit attributable to owners of the parent amounted to approximately RMB255,430,000, representing a decrease of RMB48,530,000 or 16.0% compared with RMB303,960,000 in last year. The primary reasons of decrease of profit were the drop in gross profit of Entecavir, a system specific medicines, and the increased research and development expenses.

ANALYSIS ON THE RETURN ON ASSETS

As at 31 December 2019, net assets attributable to owners of the parent were approximately RMB2,026,312,000. The return on net assets, which is defined as the profit attributable to owners of the parent divided by net assets attributable to owners of the parent was 12.6% (2018: 15.8%). The current ratio and quick ratio was 2.77 and 2.48 respectively. Turnover days for trade receivables were approximately 77 days. The turnover days for trade receivables including bills receivables were 136 days. Turnover days for inventory were approximately 143 days.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December, 2019, the Group had financial assets at fair value through profit or loss (comprising certain listed shares investments) including:

(i) invested in certain Hong Kong public listed shares amounted approximately RMB9,557,000 (31 December 2018: approximately RMB8,149,000);

(ii) invested in financial bonds issued by China Development Bank amounted RMB37,087,000 (31 December 2018: RMB70,000,000) with expected yield amounting RMB543,000 (31 December 2018: RMB478,000);

(iii) purchased certain wealth management products of approximately RMB455,000,000 (including "Sui Xin E" (隨心 E) with principal amount RMB40,000,000, "Ben Li Feng Tian Tain Li" (本利豐天天利) with principal amount RMB60,000,000, and structured deposits of RMB355,000,000 from seven other banks) (31 December 2018: RMB110,000,000) of floating interest rate principal-preservation type with annual interest rate from 1.05% to 6.2% from several good credit worth banks in China. The expected yield would be approximately RMB3,643,000 in total. The wealth management products were mainly relatively lower risk of default. All principal and interests will be paid together on the maturity date. The Board believes that the investment in aforementioned wealth management products can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group.

The above mentioned financial assets at fair value through profit or loss amounted to approximately RMB505,830,000 (31 December 2018: approximately RMB189,393,000), representing approximately 18.2% (31 December 2018: 8.0%) of the total assets of the Group. For the year ended 31 December 2019, the Group recorded the realized gain of approximately RMB11,466,000 (2018:RMB1,400,000) on the disposal of the financial assets at fair value through profit or loss and unrealized fair value gains (net) of approximately RMB2,396,000 (2018:RMB236,000) for the financial assets at fair value through profit or loss. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had cash and bank balance approximately RMB471,461,000 (as at 31 December 2018: RMB645,363,000). For the purpose of operating the idle funds more effectively and improve returns, the Group has purchased wealth management products and bonds from several banks in Mainland China. Apart from principal-preservation type of structured deposits and the bonds from China Development Bank mentioned in "Financial assets at fair value through profit or loss" section above, an amount of RMB140,000,000 of other receivables was fixed interest rate principal-preservation type of wealth management products. The annual interest rate is between 3.7% to 3.8%. The principal and interest of these principal-preservation type of wealth management products and bonds can be received on maturity date. During the year, the net cash inflows from operating activities was approximately RMB275,837,000 (2018: RMB274,294,000). Net cash outflows used in investing activities was approximately RMB598,859,000 (2018: RMB12,736,000). Net cash inflows from financing activities was approximately RMB66,087,000 (2018 net cash outflows: RMB204,193,000).

As at 31 December 2019, the Group had aggregate bank facilities of approximately RMB1,307,585,000 (as at 31 December 2018: RMB1,402,762,000), of which, bank facilities of RMB223,238,000 were secured by corporate guarantee of the Company. As at 31 December 2019, the Group's interest-bearing bank borrowings was RMB216,776,000, consisted of bank loans RMB197,377,000 and undue discounted notes RMB19,399,000 (as at 31 December 2018: Nil). Interest rate of all borrowings fixed respectively from the lowest 2.85% p.a. to the highest 3.75% p.a. As at 31 December 2019, the debt ratio (defined as sum of interest-bearing bank borrowings over total assets) of the Group was 7.8% (as at 31 December 2018:no interest-bearing bank borrowings).

As at 31 December 2019, the Group had trade receivables of approximately RMB207,379,000 (as at 31 December 2018: RMB199,614,000), slightly increased by 3.9% compared to 2018, mainly due to the impact of increased proportion of bulk medicine in the sales structure.

As at 31 December 2019, the Group had inventory balance of approximately RMB180,759,000 (as at 31 December 2018: RMB148,043,000). Increased inventory is mainly for stocking of the national centralized procurement of drugs.

As at 31 December 2019, the Group's contracted but not provided for plant and machinery capital commitments and capital contributions payable to an associate amounted to approximately RMB64,919,000 (as at 31 December 2018: RMB84,130,000), which was mainly related to Suzhou Dawnrays Pharmaceutical Co. Ltd.'s relocation construction project and capital investment in an associate.

SUBSTANTIAL INVESTMENT

During the reporting period, Dawnrays International Company Limited (東瑞國際股份有限公司), a subsidiary of the Group, acquired a 100% equity interest in Top Field Ltd., at a price of HK$436,470,000, thus indirectly owning Cinmed Pharmaceuticals Company Limited ("Cinmed Pharmaceuticals"). In order to streamline the group structure, the Group has commenced to close Top Field Ltd. and its subsidiary Cinmed (Hong Kong) Investment Limited in accordance with statutory requirements. Therefore, during the reporting period, holding of the whole equity interest in Cinmed Pharmaceuticals was changed to Dawnrays International Company Limited and the formalities processed in changing the name of Cinmed Pharmaceuticals into Fujian Dawnrays Pharmaceutical Co.,

Ltd. (福建東瑞製藥有限公司). The acquisition enriches the Group's product line and is conducive to enhancing the Company's future profitability. From 7 May 2019 when the delivery of the transaction took place to 31 December 2019, the sales revenue of Cinmed Pharmaceuticals was RMB60,683,000, and net profit was RMB23,329,000. The acquisition of Top Field Ltd. on 7 May 2019 generated goodwill of RMB241,158,000 ("Cinmed Goodwill") and the Group is required to perform the impairment test for Cinmed Goodwill at each reporting period end. Impairment assessment is carried out by determining the value in use of the cash-generating unit under Cinmed Pharmaceuticals. The Group assessed that there was no impairment on the Cinmed Goodwill at 31 December 2019, for the reason that in relation to the cash-generating unit under Cinmed Pharmaceuticals, the recoverable amount calculated based on value in use exceeded the carrying value at 31 December 2019.

During the reporting period, in order to develop new independently-operated research and development platforms and focus on developing new drug products by the use of new technologies of drug delivery systems for meeting the market demand for drugs in innovative dosage forms, Suzhou Dawnrays Pharmaceutical entered into a joint venture agreement with two independent third parties, to acquire 65% of the shares of Nanjing PharmaRays Science and Technology Ltd. (南京福美瑞信科技有限公司) ("Nanjing PharmaRays", a research and development enterprise). The registered capital of Nanjing PharmaRays is RMB50,000,000, and Suzhou Dawnrays Pharmaceutical has contributed registered capital of RMB20,000,000 for the first instalment, in accordance with the joint venture agreement. Nanjing PharmaRays officially commenced its operation on 12 January 2020.

Due to the urban planning adjustment of Wuzhong Economic Development District by Suzhou Municipal People's Government, Suzhou Dawnrays Pharmaceutical entered into the Relocation Compensation Agreement with the government where it operates on 20 December 2017. Both parties agreed the relocation compensation amount was approximately RMB351,200,000. In January 2018, Suzhou Dawnrays Pharmaceutical received the first relocation compensation of RMB70,238,000. On 14 August 2019, through public auction by Suzhou Natural Resources and Planning Bureau (蘇州市自然資源和規劃局), Suzhou Dawnrays Pharmaceutical acquired the industrial land with an area of 100 mu located in Hedong Industrial Park in Suzhou Wuzhong Economic Development Zone, for the relocation project. Relocation project was started in September 2019.

As a result of the planning adjustment of Yangkou Chemical Industrial Park of Rudong County People's Government of Nantong City, Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd., a subsidiary of the Group, signed a relocation compensation agreement with the local government on 30 December 2019, pursuant to which Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. shall terminate its operations on 31 December 2020 and relocate its assets. It is estimated that the net loss from the relocation will be less than RMB5,000,000 which has been accrued as at 31 December 2019.

Considering that Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. will terminate its operation, the Group has made an overall plan to avoid the impact on the supply of intermediates of the Group and also to conform to new national medical insurance and medicine policies, further improve the market competitiveness of its products and integrate raw materials and preparations, the Group has invested in the construction of a production base for bulk medicines and intermediates in the Chemical Industrial Park of the Lanzhou New District. "Lanzhou Dawnrays Pharmaceutical Co., Ltd. (蘭州東瑞製藥有限公司)" was established on 30 December 2019 with a registered capital of US$25 million. With regard to the project, an application has been submitted to

the Management Committee of the Lanzhou New District for the purchase of 250 mu of land, with the Phase I fixed asset investment of RMB287 million. The main products are cephalosporin bulk medicines and intermediates, system specific bulk medicines, raw materials of enzyme inhibitors, and raw materials of health supplements.

On 24 December 2019, Suzhou Dawnrays Pharmaceutical signed an agreement with Nanjing Haina Medical and Pharmaceutical Technology Company Limited (南京海纳醫藥科技股份有限公司), an independent third party, with regard to the transfer of the marketing authorization holder of Febuxostat tablets (40mg, 80mg) and bulk medicines for gout treatment. The total consideration is up to RMB240 million (including a fixed payment of RMB40 million and 4% of the Group's revenue from the sale of Febuxostat Tablets for 10 years from the date of obtaining the marketing authorization holder and starting the sale of Febuxostat Tablets (up to RMB200 million)). Suzhou Dawnrays Pharmaceutical paid the first instalment of RMB20 million for the transfer in accordance with the agreement in January 2020.

Save as aforesaid disclosures, the Group had no significant external investments or material acquisitions or disposal of subsidiaries and associated companies during the year.

FOREIGN EXCHANGE AND TREASURY POLICIES

As the Group adopted foreign exchange forward contract to hedge against foreign exchange rate risk, as a result, as at 31 December 2019, the gain in exchange difference was RMB2,298,000 (2018: loss of RMB182,000) . The Group's substantial business activities, assets and liabilities are denominated in Renminbi, so the risk derived from the foreign exchange to the Group is not high. The treasury policy of the Group is to manage any risk of foreign exchange or interest rate (if any) only if it will potentially impose a significant impact on the Group. The Group continues to observe the foreign exchange and interest rate market, and may hedge against foreign currency risk with foreign exchange forward contracts and interest rate risk with interest rate swap contracts if necessary.

STAFF AND REMUNERATION POLICY

As at 31 December 2019, the Group employed approximately 989 employees and the total remuneration was approximately RMB139,658,000 (2018: RMB126,904,000). The Group regards human resources as the most valuable assets and truly understands the importance of attracting and retaining high-performance employees. The remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

CHARGES ON ASSETS

As at 31 December 2019, the Group had not pledged any assets to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 2 March 2020, Cinmed Pharmaceuticals Company Ltd. was approved to change its name to Fujian Dawnrays Pharmaceutical Co., Ltd.

In August 2019, Cinmed Pharmaceuticals and Suzhou Dawnrays Pharmaceutical Co., Ltd. ("Suzhou Dawnrays Pharmaceutical"), a subsidiary of the Group, as defendants received a writ. On 2 November 2019, the Intermediate People's Court of Putian City, Fujian Province dismissed the plaintiff's claim. The plaintiff filed an appeal but finally withdrew it to end the lawsuit, on 2 March 2020. Cinmed Pharmaceuticals and Suzhou Dawnrays Pharmaceutical were not required to pay any legal costs or compensations. As at 31 December 2019, certain of Cinmed Pharmaceuticals' buildings and bank accounts with net carrying amounts of RMB7,272,000 and RMB2,840,000 were attached or frozen according the order of the court. The buildings and bank accounts were unattached and unfrozen on 25 March 2020 and 26 March 2020 respectively.

The outbreak of novel coronavirus pneumonia in January 2020 has varying degrees of impact on industries in China. In response to the call of the state, the Group has promptly established the outbreak prevention and control headquarters and coordinated all aspects of work. It has formulated an outbreak prevention and control management system and has prepared sufficient prevention and control materials required for resumption of work. It has actively coordinated with government departments for the return of employees to work in a timely manner, and has strived to carry out both outbreak prevention and production. Through the joint efforts of all employees, the production and supply of products for national centralized procurement and main products of the Group have been basically ensured. Sales dropped significantly from January to February 2020, due to the logistics during the Spring Festival holiday and the outbreak, and returned to normal gradually in March. According to the current situation, the impact on sales for the year is expected to be approximately 10%. In terms of research and development, the main impact is on the progress of clinical projects for products under research. In addition, affected by the outbreak, the construction periods for the Lanzhou Dawnrays project and the Suzhou Dawnrays relocation project have been delayed by one month. Other systems have not been affected basically.

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Save for those disclosed above in connection with capital commitments, increase of registered capital in subsidiaries, capital for relocation plans and investment in associated company under the section "Liquidity and Financial Resources" and "Substantial Investment", the Group does not have any plan for material investments or acquisition of capital assets.

The Group has sufficient financial and internal resources to pay the capital commitments, capital expenditure for relocation plans, investment projects and increased registered share capital described above. However, it is still possible to pay the above capital expenditure commitments with bank loans or internal resources of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased 33,394,000 shares of the Company's listed securities on The Stock Exchange of Hong Kong Ltd. at an aggregate consideration of HK$47,967,420 before expenses. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. The repurchased shares, of which 29,801,000 shares were cancelled in 2019 and the remaining 3,593,000 shares were cancelled on 17 February 2020.

The monthly breakdown of shares repurchased during the year was as follows:

Month of Repurchase	Number of Shares repurchased	The highest price paid per share (HK$)	The lowest price paid per share (HK$)	Aggregate consideration paid (HK$)
May 2019	1,156,000	1.42	1.35	1,596,270
June 2019	5,869,000	1.49	1.38	8,407,710
July 2019	8,313,000	1.51	1.45	12,206,910
August 2019	695,000	1.36	1.27	899,010
September 2019	5,288,000	1.53	1.35	7,720,320
October 2019	4,076,000	1.49	1.39	5,876,420
November 2019	4,259,000	1.46	1.38	6,028,770
December 2019	3,738,000	1.43	1.37	5,232,010
Total	33,394,000			47,967,420

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

To the best knowledge, information and belief of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Listing Rules") for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Company confirms that all the Directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the 2019 annual report.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee before recommending them to the Board for approval.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's financial results for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Ernst & Young ("EY"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an 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 Institute of Certified Public Accountants and consequently, no assurance has been expressed by EY on this preliminary announcement.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of HK$0.043 per share payable to shareholders whose names appear in the Register of Members of the Company on Wednesday, 3 June 2020. The proposed final dividend of HK$0.043 per share, the payment of which is subject to approval of the shareholders at the 2020 AGM of the Company to be held on Friday, 29 May 2020, is to be payable on Wednesday, 17 June 2020 to shareholders.

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

(i) from Monday, 25 May 2020 to Friday, 29 May 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged for registration not later than 4:30 p.m. on Friday, 22 May 2020 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(ii) from Thursday, 4 June 2020 to Friday, 5 June 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged for registration not later than 4:30 p.m. on Wednesday, 3 June 2020 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

APPRECIATION

I would like to take this opportunity to express my heartfelt thanks to the shareholders, directors of the Company, partners, managers and employees of the Group for their support and contributions in businesses in the past year.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 27 March 2020

As at the date of this announcement, the Board of the Company comprises three executive directors, namely Ms. Li Kei Ling, Mr. Hung Yung Lai and Mr. Chen Shaojun; one non-executive director, namely Mr. Leung Hong Man; three independent non-executive directors, namely Mr. Lo Tung Sing Tony, Mr. Ede, Ronald Hao Xi and Ms. Lam Ming Yee Joan.