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 2020

RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	Changes
Revenue (RMB'000)	1,024,270	950,007	7.8%
Gross profit (RMB'000)	550,645	535,869	2.8%
Gross profit margin (%)	53.8%	56.4%	-2.6 percentage points
Profit before tax (RMB'000)	331,298	314,094	5.5%
Profit attributable to owners of the parent (RMB'000)	268,130	255,430	5.0%
Profit for the year (RMB'000)	264,793	255,356	3.7%
Net profit margin (%)	25.9%	26.9%	-1.0 percentage points
Earnings per share attributable to ordinary equity holders of the parent—basic (RMB)	0.1736	0.1621	7.1%
Proposed final dividend per share (HK$)	0.05	0.043	16.3%
Proposed special dividend per share (HK$)	0.05	-	n/a

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 2020 (the "reporting period") together with the comparative amounts for 2019 as follows:

*for identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020	2019
		RMB'000	*RMB'000*
REVENUE	4	1,024,270	950,007
Cost of sales		(473,625)	(414,138)
Gross profit		550,645	535,869
Other income and gains	4	38,426	48,071
Selling and distribution expenses		(54,572)	(84,812)
Administrative expenses		(109,224)	(97,087)
Other expenses	5	(70,378)	(70,809)
Finance costs	6	(4,828)	(5,309)
Share of losses of an associate		(18,771)	(11,829)
PROFIT BEFORE TAX	7	331,298	314,094
Income tax expense	8	(66,505)	(58,738)
PROFIT FOR THE YEAR		264,793	255,356
Attributable to:			
Owners of the parent		268,130	255,430
Non-controlling interests		(3,337)	(74)
		264,793	255,356
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic, for profit for the year		RMB0.1736	RMB0.1621
Diluted, for profit for the year		RMB0.1735	RMB0.1621

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	264,793	255,356
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences	(3,976)	2,498
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(3,976)	2,498
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	260,817	257,854
Attributable to:		
Owners of the parent	264,154	257,928
Non-controlling interests	(3,337)	(74)
	260,817	257,854

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020	2019
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		452,593	462,832
Right-of-use assets		124,553	106,523
Construction in progress		204,803	26,945
Goodwill		241,158	241,158
Other intangible assets		206,716	149,663
Investment in an associate		98,669	77,440
Long-term prepayments		20,000	-
Deferred tax assets		6,529	6,643
Total non-current assets		1,355,021	1,071,204
CURRENT ASSETS			
Inventories		246,028	180,759
Trade and notes receivables	11	330,747	370,994
Prepayments, other receivables and other assets		39,761	186,139
Financial assets at fair value through profit or loss		201,192	505,830
Cash and bank		730,986	471,461
Total current assets		1,548,714	1,715,183
CURRENT LIABILITIES			
Trade and notes payables	12	157,613	156,764
Other payables and accruals		312,074	239,907
Interest-bearing bank borrowings		-	216,776
Lease liabilities		924	66
Income tax payable		9,297	5,809
Total current liabilities		479,908	619,322
NET CURRENT ASSETS		1,068,806	1,095,861
TOTAL ASSETS LESS CURRENT LIABILITIES		2,423,827	2,167,065
NON-CURRENT LIABILITIES			
Government grants		900	1,200
Deferred tax liabilities		61,715	66,474
Other liabilities		175,595	70,238
Lease liabilities		2,025	2,841
Total non-current liabilities		240,235	140,753
Net assets		2,183,592	2,026,312

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2020

	Notes	2020	2019
		RMB'000	*RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Issued capital		81,072	82,867
Treasury shares		(430)	(161)
Reserves		2,089,861	1,942,930
		2,170,503	2,025,636
Non-controlling interests		13,089	676
Total equity		2,183,592	2,026,312

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 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16,	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB5,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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 2020	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	200,214	824,056	-	1,024,270
Intersegment sales	54,797	-	(54,797)	-
	255,011	824,056	(54,797)	1,024,270
Segment results	2,608	473,286	-	475,894
Reconciliation:				
Unallocated gains				34,237
Corporate and other unallocated expenses				(174,111)
Finance costs (other than interest on lease liabilities)				(4,722)
Profit before tax				331,298

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

3. SEGMENT INFORMATION (continued)

As at 31 December 2020	Intermediates and bulk medicines	Finished drugs	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment assets:	571,157	851,658	1,422,815
Reconciliation:			
Corporate and other unallocated assets			1,480,920
Total assets			2,903,735
Segment liabilities:	152,797	126,857	279,654
Reconciliation:			
Corporate and other unallocated liabilities			440,489
Total liabilities			720,143

As at 31 December 2019	Intermediates and bulk medicines	Finished drugs	Total
	RMB'000	*RMB'000*	*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

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	929,093	859,305
Other countries	95,177	90,702
	1,024,270	950,007

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 investment 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:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	1,024,270	950,007

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Intermediates and bulk medicines	Finished drugs	Total
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services			
Sale of goods	195,630	824,056	1,019,686
Rendering of pilot test services	4,584	-	4,584
Total revenue from contracts with customers	200,214	824,056	1,024,270
Geographical markets			
Mainland China	107,518	821,575	929,093
Other countries	92,696	2,481	95,177
Total revenue from contracts with customers	200,214	824,056	1,024,270
Timing of revenue recognition			
Goods transferred at a point in time	195,630	824,056	1,019,686
Services transferred over time	4,584	-	4,584
Total revenue from contracts with customers	200,214	824,056	1,024,270

4. REVENUE, OTHER INCOME AND GAINS (continued)

<u>Revenue from contracts with customers</u> (continued)

(i) Disaggregated revenue information (continued)

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

(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)

<u>Revenue from contracts with customers</u> (continued)

(ii) Performance obligations (continued)

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

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

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	8,469	15,463

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.

	2020	2019
Other income	*RMB'000*	*RMB'000*
Bank interest income	17,078	17,041
Dividend income from financial assets at fair value through profit or loss	382	485
Rental income	124	258
Government grants	6,885	11,589
Foreign exchange gains, net	-	2,298
Others	1,823	1,586
	26,292	33,257
Gains		
Gain on sales of scrapped materials	393	952
Financial assets at fair value through profit or loss gains, net	11,741	13,862
	12,134	14,814
	38,426	48,071

5. OTHER EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	460	656
Impairment of intangible assets	2,088	6,438
Amortisation of capitalised research and development costs	2,484	1,762
Donations	2,086	32
Write-down of inventories to net realisable value	349	10,142
Write-off of obsolete stocks	4,744	2,974
Impairment of property, plant and equipment	-	102
Current year expenditure of research and development costs	55,460	47,889
Foreign exchange losses, net	1,476	-
Others	1,231	814
	70,378	70,809

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	4,474	4,455
Interest on lease liabilities	106	62
Interest on discounted notes receivable	248	792
	4,828	5,309

7. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold*	473,625	413,382
Depreciation of property, plant and equipment	50,182	49,620
Depreciation of right-of-use assets**	3,342	1,993
Research and development costs:		
Amortisation of intangible assets***	2,484	1,762
Current year expenditure	55,460	47,889
	57,944	49,651
Lease payments not included in the measurement of lease liabilities	958	724
Auditors' remuneration:		
Statutory audit service	2,200	1,980
Non-statutory audit service	-	690
	2,200	2,670
Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	123,683	100,043
Equity-settled share option expense	8,109	4,181
Retirement benefits	1,073	8,087
Accommodation benefits	5,066	4,346
Other benefits	18,382	23,001
	156,313	139,658

7. PROFIT BEFORE TAX (continued)

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

	2020	2019
	RMB'000	*RMB'000*
Foreign exchange differences, net	1,476	(2,298)
Impairment of intangible assets	2,088	6,438
Impairment of property, plant and equipment	-	102
Write-down of inventories to net realisable value	349	10,142
Financial assets at fair value through profit or loss gains, net	(11,741)	(13,862)
Bank interest income	(17,078)	(17,041)
Loss on disposal of items of property, plant and equipment	460	656

* The depreciation of RMB38,293,000 for the year (2019: RMB37,816,000) 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.

8. INCOME TAX

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	2020	2019
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	71,150	62,322
Deferred income tax	(4,645)	(3,584)
Total tax charge for the year	66,505	58,738

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.

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 profit tax rate of 16.5% (2019: 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 (2019: 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, Fujian Dawnrays Pharmaceutical Co., Ltd. ("Fujian Dawnrays") was qualified as a HNTE of Fujian Province. As a result, Fujian Dawnrays 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 2020.

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

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:

8. INCOME TAX (continued)

	2020	2019
	RMB'000	*RMB'000*
Accounting profit before income tax	331,298	314,094
At the PRC's statutory income tax rate of 25% (2019: 25%)	82,825	78,524
Tax effect of profits entitled to tax concession or lower tax rate enacted by local authority	(36,023)	(30,371)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	15,126	12,753
Adjustments in respect of current income tax of previous years	1,170	2,823
Expenses not deductible for tax	5,231	633
Tax credit for qualified research and development costs	(6,179)	(5,009)
Tax losses not recognised	5,652	3,499
Tax losses utilised from previous periods	(1,297)	(4,114)
At the effective income tax rate of 20.07% (2019: 18.70%)	66,505	58,738

9. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Interim – HK$0.015 (2019: HK$0.015) per ordinary share	20,254	21,431
Proposed final – HK$0.05 (2019: HK$0.043) per ordinary share	62,655	61,358
Proposed special – HK$0.05 per ordinary share	62,655	-
	145,564	82,789

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

10. 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 1,544,589,000 shares (2019: 1,575,362,000 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:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	268,130	255,430

	Number of shares	
	2020	2019
	Thousands	Thousands
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,544,589	1,575,362
Effect of dilution – weighted average number of ordinary shares:		
Share options	946	-
Weighted average number of ordinary shares adjusted for the effect of dilution	1,545,535	1,575,362

11. TRADE AND NOTES RECEIVABLES

	Notes	2020	2019
		RMB'000	*RMB'000*
Trade receivables	(i)	176,391	207,379
Notes receivable	(ii)	154,356	163,615
		330,747	370,994
Impairment		-	-
		330,747	370,994

11. 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:

	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	162,178	171,276
Between 91 and 180 days	10,600	16,380
Between 181 and 270 days	2,498	11,161
Between 271 and 360 days	392	3,630
Over one year	723	4,932
	176,391	207,379

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 2019, the Group has applied the simplified approach to provide impairment for expected credit losses ("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:

	2020	2019
Expected credit loss rate	<0.1%	<0.1%
Gross carrying amount (RMB'000)	176,391	207,379
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.

11. TRADE AND NOTES RECEIVABLES (continued)

Notes: (continued)

(ii) (continued)

Financial assets that are not derecognized in their entirety

As at 31 December 2020, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") with a carrying amount of RMB45,320,000 (2019: 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 RMB11,156,000 (2019: RMB9,136,000) and RMB34,164,000 (2019: RMB9,502,000) as at 31 December 2020, respectively.

As 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. As at 31 December 2020, the Group has no such Discounted Notes.

12. 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:

	2020 *RMB'000*	2019 *RMB'000*
Outstanding balances with ages:		
Within 90 days	116,043	102,243
Between 91 and 180 days	40,857	53,942
Between 181 and 270 days	227	143
Between 271 and 360 days	50	100
Over one year	436	336
	157,613	156,764

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 RMB11,156,000 as at 31 December 2020.

CHAIRMAN'S STATEMENT

GROUP RESULTS

The Group recorded revenue of approximately RMB1,024,270,000 for the year ended 31 December 2020 (2019: RMB950,007,000), representing an increase of 7.8% as compared to 2019. Profit attributable to owners of the parent was approximately RMB268,130,000 (2019: RMB255,430,000), representing an increase of 5.0% compared with 2019.

The increases in revenue and profit were mainly due to a significant increase (compared with 2019) in the sales arising out of the performance of relevant supply contracts by the Group during the reporting period, in relation to winning the bids for its specific medicines including Amlodipine Besylate Tablets 5mg, Atorvastatin Calcium Tablets 10mg, Entecavir Dispersible Tablets 0.5mg, Levocetirizine Dihydrochloride Tablets 5mg respectively in the centralized procurement of drugs in alliance member regions in 2019 and the national centralized procurement of drugs in 2020 (collectively referred to as "Centralized Procurement of Drugs").

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.05 per share for the year ended 31 December 2020, amounting to the total sum of approximately HK$74,813,000 (equivalent to approximately RMB62,655,000), to the shareholders whose names appeared in the register of members as of Wednesday, 2 June 2021 subject to the approval of the shareholders at the forthcoming 2021 Annual General Meeting (the "2021 AGM").

SPECIAL DIVIDEND

The Board recommends the payment of a special dividend of HK$0.05 per share for the year ended 31 December 2020, amounting to the total sum of approximately HK$74,813,000 (equivalent to approximately RMB62,655,000), to the shareholders whose names appeared in the register of members as of Wednesday, 2 June 2021 subject to the approval of the shareholders at the forthcoming 2021 AGM.

The annual dividend payout ratio will be approximately 30.9%, representing a year-on-year decrease of 1.5 percentage points if the one-off special dividend is not counted. Taking into consideration the interim dividend of HK$0.015 per share paid on 7 October 2020, the recommended payment of special dividend of HK$0.05 per share and final dividend of HK$0.05 per share, the total annual dividend distributed for the year will be HK$0.115 per share.

BUSINESS REVIEW AND PROSPECT

During the reporting period, the spread of the COVID-19 outbreak hindered various activities around the world, seriously disturbed the lives of citizens and resulted in the economic contraction and decline of countries. With targeted prevention and control measures taken by the PRC government, China passed the severe test of the outbreak, and basically restored production and operation in industries in the second quarter.

With regard to business of the Group, during the outbreak, according to government guidance, and in consideration of the actual condition of enterprises, and subject to the principle of the safety and health of employees first, the management of the Group actively resumed work and production, which basically ensured the smooth supply of various products and operation in the later period, especially proper performance of the obligations of the Group under supply contract for Centralized Procurement of Drugs, leading the satisfaction of drug demand of patients, and generation of the sales revenue for the Group during the reporting period, thus alleviating and making up for the fluctuations and loss of results caused by the outbreak in the first half of the year during the reporting period.

During the reporting period, due to the continuous impact of Centralized Procurement of Drugs in respect of which the bids were won, the sales volume of specific medicines of the Group increased considerably year on year. Among them, there were significant year-on-year increases in sales of the winning product Amlodipine Besylate Tablets ("Anneizhen" (安內真)) of An series. In addition, there were also year-on-year increases in the sales of Telmisartan Tablets ("Anneiqiang" (安內強)) and Losartan Potassium and Hydrochlorothiazide Tablets ("Anneixi" (安內喜)), of the same series, fully showing the Group's leading position in the anti-hypertensive drug market of China. However, due to the continuous impact of the bidding prices for the Centralized Procurement of Drugs were generally and significantly lower than the original selling prices, there was a relatively large difference when comparing the year-on-year increase in the sales amount and the year-on-year increase in the sales volume of the Group's specific medicines.

During the COVID-19 outbreak, the decrease in the number of general patients in hospitals, the interruption in the industry supply chain, the logistics delay and other factors had a certain impact on the antibiotic series of products of the Group. Despite the gradual recovery to the normal level after the plateauing of the outbreak, the progress of end customers in the market in resuming their operation varied in the subsequent period, resulting in unsmooth sales of antibiotics. During the reporting period, there were year-on-year decreases in the sales of cephalosporin bulk medicines, powder for injections and oral preparations of the Group, due to the above reasons and the continuous and strict control by the government over the clinical use of antibiotics.

During the reporting period, Phase II and Phase I clinical work were carried out respectively for clinical trials for Class I new drug registration of Ebronucimab (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 established by the Group. According to the information of clinical trial research and the project progress known to the Group, the Group remains cautiously optimistic about the investment prospect.

Moreover, 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 Co., Ltd., a joint venture enterprise established by the Group and external entities, was on track after gradual and internal coordination, and secured material research and development projects. The Group has the priority to acquire and use research and development results of the company for a fair consideration, under fair conditions.

During the reporting period, the research and development department of the Group actively promoted the consistency evaluation of the quality and efficacy of generic drugs, and made greater efforts to promote the consistency evaluation of cephalosporin series of products in addition to the oral solid-dosage-form projects, so that the product quality would be recognized, which will facilitate the participation in national centralized procurement of drugs in the future. In terms of the development of new products, after years of efforts of the research and development team and upon no significant changes, the Group will launch some new products in different treatment fields in the next few years.

As previously disclosed by the Company, due to land replotting requirements of the local government of the place where the enterprise is located or the land environment replanning requirements of the local government and in consideration of the long-term development strategy of the Company, Suzhou Dawnrays Pharmaceutical Co., Ltd. and Lanzhou Dawnrays Pharmaceutical Co., Ltd., both of which are subsidiaries of the Group, respectively promoted relocation and new factory construction projects. The Group expects that after completion of relevant project construction, Suzhou Dawnrays Pharmaceutical Co., Ltd. will be relocated from the factory located at Tianling Road to the new factory , and the new factory of Lanzhou Dawnrays Pharmaceutical Co., Ltd. located in Chemical

Industry Park, Lanzhou New District will also open. The management of the Group is closely following up and managing the operating risks which may arise out of the relocation. Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. suspended the production as scheduled in January 2021, and thereafter, its business is mainly handling factory relocation and general corporate administrative matters.

The above two relocation and construction projects mainly involved the Group's business of intermediate, bulk medicine and powder for injection. Over the past few years, due to the guidance of the national supply-side reform policy, the chemical bulk medicine industry has been subject to environmental protection, quality consistency evaluation, associated review and other measures, which accelerates the industry reform and increases the concentration. Capitalizing on the opportunity from the relocation, the Group will optimize the process technology and production facilities of intermediates and bulk medicines, expand its production capacity and product mix to enhance its competitiveness in domestic sales and export of bulk medicines, and create cost and quality advantages for its downstream products. The Group will give full play to the corporate strength in the integration of bulk medicines and preparations to support the Group in winning bids in national centralized procurement of drugs in the future. During the reporting period, in order to consolidate the sales of Lanzhou Dawnrays Pharmaceutical Co., Ltd. after putting into operation, the Group reached an agreement with an independent third party for strategic cooperation, pursuant to which the third party became a shareholder of Lanzhou Dawnrays Pharmaceutical Co., Ltd. by way of capital increase.

During the peak of the COVID-19 outbreak, as the management of the Group took appropriate measures to mitigate relevant risks in due course, the impact on the business was as expected by the management. During the reporting period, the overall operation of the Group was relatively stable with a sound financial position. Based on the foregoing and in consideration of the share price of the Company, during the reporting period, the Board repurchased certain shares of the Company on The Stock Exchange of Hong Kong Limited in accordance with the repurchase mandate granted at the annual general meetings. The Board believes that the repurchase of the shares and subsequent cancellation of the shares repurchased can increase the share value, thus improving the return for the shareholders of the Company.

During the State 13th Five-Year Plan period, the government continuously published policies in relation to payment under the medical insurance, drug research and development, drug circulation, group purchasing organization and essential medicines list, while the revised Drug Administration Law (藥品管理法修訂版), the revised Measures for the Administration of Drug Registration (藥品註冊管理辦法修訂版) and the Measures for the Supervision and Administration of Pharmaceutical Production (藥品生產監督管理辦法) have been in full force and effect. Of which, national centralized procurement of drugs became normalized and covered a wider range of varieties, the adjustment of the reimbursement drug list and price negotiation were scheduled. All these are vital to corporate revenue, thus having a far-reaching impact on the whole pharmaceutical industry.

In the future, under the guidance of government policies, the development of the industry will be more standardized and concentrated, with more fierce competition among enterprises. Despite the increasingly fierce competition in the industry, due to various social impacts of the sudden COVID-19 outbreak, the strategic position of the medical and pharmaceutical industry rises to a new level, and there will be a greater market prospect and considerable opportunities for the industry. With the chemical pharmaceutical business as the principal business, the Group deeply understands that the capacity for developing new products and the capacity for commercialization of new products are equally important. The Company will capitalize on the advantages of corporate resources, strive to enrich its product mix, develop and accumulate more products with potential in different treatment fields to form a lineup. Meanwhile, the Company will optimize its corporate marketing system to satisfy the needs of future market development. The Company expects that in the foreseeable future, new products of the Group will be successively launched in the market, which, together with the putting into operation of new factories in Suzhou and Lanzhou, will bring about an improvement in the comprehensive competitiveness of the Group, provide new energy for the achievement by the Group of the targets of business planning, and contribute to the sustainable development of the Group in the long term.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the review period, despite the impact of the COVID-19 outbreak in the early stage, with the joint efforts of all employees and the opportunity arising out of winning the bids for 4 products of the Group in the centralized procurement in national alliance member regions and the second round of national centralized procurement, there was a significant increase of 54.9% in the sales volume and an increase of 5.4% in the sales to RMB455 million of the anti-hypertensive drug in "An" (安) series medicines of the Group, as compared with the same period of 2019; there was a year-on-year increase of 500.0% in the sales volume and an increase of 196.3% in the sales to RMB180 million of Fujian Dawnrays series products which are mainly to treat hyperlipidemia; there was a significant increase of 445.5% in the sales volume and a decline of 5.5% in the sales to RMB84 million of Entecavir Dispersible Tablets as compared with the same period of 2019.

The COVID-19 outbreak mainly caused impact on the sales volume of the Group's antibiotic series products. The sales volume of cephalosporin for oral decreased by 30.7%, the sales volume of powder for injections decreased by 60.8% and the sales volume of cephalosporin intermediates and bulk medicines decreased by 14.3%, compared with the same period of 2019.

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 arising out of national centralized procurement in alliance member regions, and promoted the winning drugs to extend to the second and third market terminals, so as to improve the organizational management and control in markets at all levels, and ensure reasonable sales growth of the above winning drugs in 2021, thus contributing to the profitability 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 factors such as sales channels and sales price of major product "Anneizhen" (安內真) (Amlodipine Besylate Tablets), strengthened allocation of resources, and continued 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" (安內真) 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" (安內喜) (Losartan

Potassium and Hydrochlorothiazide Tablets) of the Group, it ranked among the top domestic brands and had 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 building, price upholding 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.

ANTI-HYPERLIPIDEMIC 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 of The Guide for The Prevention and Treatment of Dyslipidemia in Adults in China (revised version of 2016)(中國成人血脂異常防治指南(2016年修訂版)), the prevalence rate of hypercholesterolemia is 4.9%, the prevalence rate of triglyceride is 13.1%, the overall prevalence rate of dyslipidemia in adults in China is as high as 40.4%, and thus the market prospect of anti-hyperlipidemic drugs is promising.

During the period, with the opportunity arising out of national centralized procurement in alliance member regions, the sales performance of Atorvastatin Calcium Tablets of Fujian Dawnrays Pharmaceutical Co., Ltd. (formerly known as Cinmed Pharmaceuticals Co., Ltd.), a subsidiary of the Group, exceeded expectation. During the period, the sales volume of the product increased by 710.5% year on year. It ranks in leading position in domestic sales market.

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, the sales volume grew remarkably by 445.5% as compared to 2019. 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 explored the market potential of the product.

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. During the period, due to the impact of the COVID-19 outbreak, the sales volume decreased by 40.2%. In view of this, the Group's management optimized the product mix, so as to make certain achievements in sales. 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 associated review and filing work hoping to further improve its market share in the future. 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, which is under construction as planned.

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. According to statistics of The Guide to The Diagnosis and Treatment of Hyperuricemia and Gout in China (2019)(中國高尿酸血症與痛風診療指南(2019)), the overall prevalence rate of hyperuricemia in China is 13.3%, the prevalence rate of gout is 1.1%. In order to enrich the Group's product line, on 24 December 2019, Suzhou Dawnrays Pharmaceutical Co. Ltd., a subsidiary of the Group, signed a transfer 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. On 2 February 2021, Nanjing Haina Medical and Pharmaceutical Technology Company Limited (南京海納醫藥科技股份有限公司) obtained the drug registration certificates for Febuxostat Tablets (40mg, 80mg). 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 optimize our product mix and profitability foundation.

CONSISTENCY EVALUATION

As at 31 December 2020, according to statistics by product specification, the Group conducted quality and efficacy research into 31 varieties, with the applications for 6 varieties (Entecavir Dispersible Tablets (0.5mg), Amlodipine Besylate Tablets (5mg), Levocetirizine Dihydrochloride Tablets (5mg), Cetirizine Hydrochloride Tablets (10mg), Metformin Hydrochloride Tablet (250mg) and Azithromycin Tablets (250mg)) approved. The applications for consistency evaluation for 5 varieties have been submitted to the Center for Drug Evaluation, NMPA. Moreover, bioequivalence (BE) clinical trials of 2 of such varieties are carried out, and pharmaceutical research into 18 of such varieties is conducted.

IMPACT OF CENTRALIZED PROCUREMENT OF DRUGS

From September 2019 to February 2021, China successively carried out four rounds of the bidding process for centralized procurement of drugs. 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 proactively participated in centralized procurement of drugs. At the same time, with its brand influence, it has integrated resources, formulated individualized product marketing strategies and developed product sales channels to ensure the revenue of the Group's products.

COST REDUCTION AND EFFICIENCY IMPROVEMENT

During the period, the Group carried out all-staff activities for energy saving, emission reduction, cost reduction and efficiency improvement, and significantly reduced product costs through measures including centralized procurement of materials, technology improvement and cost assessment, which made a great contribution to stabilizing the profitability of the Group.

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 2020, to compare the production volume and sales volume of the Group's intermediates and bulk medicines with those in 2019, the production volume was on similar level and the sales volume decreased by 14.3% respectively. The production volume and sales volume of cephalosporin powder for injection decreased by 43.0% and 60.8% respectively, as compared with last year. The decreases in the production and sales volumes of intermediates and bulk medicines, and powder for injection were mainly due to the impact of the COVID-19 outbreak. The production volume of solid-dosage-forms increased by 131.9% as compared with last year, while the sales volume increased by 119.5% as compared with last year. In terms of international business, despite the impact of the COVID-19 outbreak, the Group continuously explored overseas markets, with sales in line with the previous year. The sales in the overseas market accounted for 9.3% of the overall sales of the Group.

NEW PRODUCTS AND PATENT LICENSING

(1) In 2020, the Group submitted 7 supplementary registration applications and 103 reregistration applications to Jiangsu Medical Products Administration. During the year, 1 bulk medicine variety passed the technical review; 2 varieties passed consistency evaluation; the approvals for supplementary applications (recordation documents) for 6 varieties were obtained from Jiangsu Medical Products Administration; 103 reregistration approvals were obtained.

(2) Two invention patent certificates obtained in 2020

(i) An invention patent certificate (Patent No.: ZL201811249877.9) was granted for "A kind of method for preparation of sitafloxacin hydrate" on 22 May 2020.

(ii) An invention patent certificate (Patent No.: ZL201710144451.6) was granted for "A kind of method of using supercritical fluid technology for preparation of entecavir cyclodextrin inclusion compound" on 1 September 2020.

(3) A total of four utility model patent certificates obtained in 2020

(i) A utility model patent certificate (Patent No.: ZL201821641916.5) was granted for "A kind of full-automatic solid dripping pill production machine" on 25 February 2020.

(ii) A utility model patent certificate (Patent No.: ZL202020582164.0) was granted for "A kind of hot air circulating oven for production of tablets" on 8 December 2020.

(iii) A utility model patent certificate (Patent No.: ZL202020582180.X) was granted for "A kind of material unloading device of high-speed mixer granulator for production of tablets" on 15 December 2020.

(iv) A utility model patent certificate (Patent No.: ZL202020582176.3) was granted for "A kind of punches of high-speed rotary tablet press machine for production of tablets" on 29 December 2020.

HONORS AWARDED TO THE GROUP

Time of Awards	Honors
November 2020	The honor of "Excellent Product Brand in the Pharmaceutical Industry of Jiangsu Province" was granted for Amlodipine Besylate Tablets (Anneizhen (安內真)), Levocetirizine Dihydrochloride Tablets (Xikexin (西可新)), and Entecavir Dispersible Tablets (Leiyide (雷易得)) of Suzhou Dawnrays Pharmaceutical Co., Ltd. in 2020.
December 2020	- Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized and recorded as a high-new technology enterprise in Jiangsu (high-new technology enterprise certificate No.:GR202032003863). - Suzhou Dawnrays Pharmaceutical Co., Ltd. was rated by Suzhou Wuzhong Pharmaceutical Industry Association and the Bio-pharmaceutical Industry Association (蘇州市吳中區醫藥行業商會、生物醫藥行業協會) as the "Advanced Organization in Epidemic Prevention in 2020".

January 2021	- Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized as one of the "Ten Star Enterprises (Industrial)" in Suzhou Wuzhong Economic Development Zone in 2020. - Fujian Dawnrays Pharmaceutical Co., Ltd. won the "Outstanding Economic Contribution Award in 2020".
February 2021	- Suzhou Dawnrays Pharmaceutical Co., Ltd. was rated by the People's Government of Wuzhong District, Suzhou as one of the "Top 100 Enterprises", the "Benchmarking Technology Enterprise", the "Leading Enterprise in Industry Innovation" and the "Advanced Enterprise in Energy Saving and Emission Reduction" in 2020. - Suzhou Dawnrays Pharmaceutical Co., Ltd. was rated by the Suzhou Wuzhong Economic Development Zone as the "Outstanding Contribution Organization" and "High-quality Development Enterprise (Innovative Transformation and Development Enterprise and Contributor to Output Benefits)" in 2020. - Suzhou Dawnrays Pharmaceutical Co., Ltd. was awarded as "An Enterprise with a Deeply Rooted Foundation in Wuzhong Making Contribution from Outstanding Development" on the 20th Anniversary of the establishment of Wuzhong District.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the year ended 31 December 2020, the Group recorded a turnover of approximately RMB1,024,270,000, increased by RMB74,263,000 or 7.8% compared with last year. Of which the turnover of intermediates and bulk medicines was RMB200,214,000, decreased by RMB36,032,000 or 15.3% compared with last year. The turnover of finished drugs was RMB824,056,000, increased by RMB110,295,000 or 15.5% compared with last year. The decrease in the sales of intermediates and bulk medicines was mainly due to the impact of the COVID-19 outbreak. The increase in the sales of finished drugs was mainly due to winning the bids for four products of the Group in the national centralized procurement of drugs, and the development of the second and third market terminals.

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 RMB824,056,000. Taking into account of the total turnover, sales amount of finished drugs was approximately 80.5%, increased by 5.4 percentage points compared with last year. Sales amount of system specific medicines accounted for 95.3% of sales of finished drugs.

Gross profit was approximately RMB550,645,000, increased by RMB14,776,000 compared with last year, representing an increase of 2.8%. Gross profit margin decreased by approximately 2.6 percentage points to 53.8% from 56.4% as in last year. The unit selling prices of the winning products in national centralized procurement decreased significantly, but the Group carried out all-staff activities for energy saving, emission reduction, cost reduction and efficiency improvement, thus significantly reducing the production cost. Therefore, the decrease in the gross profit margin was not significant.

TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER			SALES BREAKDOWN		
	(RMB'000)	(RMB'000)	(RMB'000)	(%)	(%)	Percentage points
	2020	2019	changes	**2020**	2019	changes
Intermediates and Bulk Medicines	**200,214**	236,246	-36,032	**19.5**	24.9	-5.4
Finished Drugs	**824,056**	713,761	110,295	**80.5**	75.1	5.4
Overall	**1,024,270**	950,007	74,263	**100.0**	100.0	**-**

EXPENSES

During the year, the total expenses incurred were approximately RMB239,002,000, equivalent to 23.3% of turnover (2019: 27.2%). The total expenses decreased by approximately RMB19,015,000 compared with last year which was RMB258,017,000. Due to national centralized procurement and the adjustment of the sales model, the selling expenses decreased by RMB30,240,000 compared with last year. The administrative expenses increased by RMB12,137,000 as compared with last year, mainly due to the inclusion of administrative expenses of Fujian Dawnrays and Nanjing PharmaRays. Finance expenses was RMB4,828,000, mainly loan interest of working capital. Other expenses kept stable, due to the decrease in write-down of inventories to net realizable value, offset by the increase in expenditure of research and development costs.

SEGMENT PROFIT

For the year ended 31 December 2020, the segment profit from the finished drugs segment was approximately RMB473,286,000, representing an increase of RMB55,251,000 compared with RMB418,035,000 in 2019, mainly due to increase in the sales of finished drugs. The segment profit of the intermediates and bulk medicines segment was RMB2,608,000. The turnaround from loss of RMB1,267,000 in 2019 to profit was mainly due to the decline in the production cost despite the decrease in the sales during the year.

INTERESTS AND RIGHTS IN ASSOCIATE

During the year, AD Pharmaceuticals Co., Ltd.(AD Pharmaceuticals), which was invested by the Group's subsidiary Dawnrays Biotechnology Capital (Asia) Ltd. (Dawnrays Biotechnology), has launched Phase II clinical trial and Phase I clinical trial for registration of Class I new drugs of monoclonal antibody agent Ebronucimab (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 2020, AD Pharmaceuticals Co., Ltd. reported loss for the year of RMB53,631,000 including the R&D and administrative expenses. As a result, the Group shared, in proportion to the investment percentage, an investment loss of approximately RMB18,771,000 in 2020 (2019: RMB11,829,000). As at 31 December 2020, 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. On 2 February 2021, Dawnrays Biotechnology entered into a loan agreement with AD Pharmaceuticals, pursuant to which Dawnrays Biotechnology has agreed to provide an unsecured loan in a principal amount of RMB84 million to AD Pharmaceuticals for a term of five years.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2020, profit attributable to owners of the parent amounted to approximately RMB268,130,000, representing an increase of RMB12,700,000 or 5.0% compared with RMB255,430,000 in last year.

ANALYSIS ON THE RETURN ON ASSETS

As at 31 December 2020, net assets attributable to owners of the parent were approximately RMB2,170,503,000. 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 12.4% (2019: 12.6%). The current ratio and quick ratio was 3.23 and 2.71 respectively. Turnover days for trade receivables were approximately 67 days. The turnover days for trade receivables including bills receivables were 123 days. Turnover days for inventory were approximately 162 days. The financial liquidity was improved as compared with last year.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2020, the Group had financial assets at fair value through profit or loss including:

(i) invested in certain Hong Kong public listed shares amounted approximately RMB5,962,000 (31 December 2019: approximately RMB9,557,000);

(ii) invested in financial bonds issued by China Development Bank amounted approximately RMB30,174,000 (31 December 2019: RMB37,630,000);

(iii) purchased certain wealth management products of approximately RMB164,000,000 (including "Hui Li Feng" (滙利豐) with principal amount RMB40,000,000, and structured deposits of RMB124,000,000 from four other banks) (31 December 2019: RMB455,000,000) of floating interest rate principal-preservation type with annual interest rate from 1.30% to 3.50% from several good credit worth banks in China. The expected yield would be approximately RMB985,000 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;

(iv) during the year, the Group purchased foreign exchange forward contracts amounting to US$870,000. As at 31 December 2020, a gain of approximately RMB71,000 was recorded in such forward contracts measured at fair value.

The above mentioned financial assets at fair value through profit or loss amounted to approximately RMB201,192,000 (31 December 2019: approximately RMB505,830,000), representing approximately 6.9% (31 December 2019: 18.2%) of the total assets of the Group. For the year ended 31 December 2020, the Group recorded net gain of approximately RMB11,741,000 (2019: RMB13,862,000) on 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 2020, the Group had cash and bank balance approximately RMB730,986,000 (as at 31 December 2019: RMB471,461,000). During the year, the net cash inflows from operating activities was approximately RMB302,903,000 (2019: RMB275,837,000). Net cash inflows from investing activities was approximately RMB26,447,000 (2019 net cash outflows: RMB598,859,000). Net cash outflows from financing activities was approximately RMB327,696,000 (2019 net cash inflows: RMB66,087,000).

As at 31 December 2020, the Group had aggregate bank facilities of approximately RMB1,300,000,000 (as at 31 December 2019: RMB1,307,585,000). As at 31 December 2020, the Group's interest-bearing bank borrowings was zero (as at 31 December 2019: RMB216,776,000), and the debt ratio (defined as sum of interest-bearing bank borrowings over total assets) of the Group was zero (as at 31 December 2019: 7.8%).

As at 31 December 2020, the Group had trade receivables of approximately RMB176,391,000 (as at 31 December 2019: RMB207,379,000), decreased by 14.9% compared to 2019, mainly due to the impact of decreased proportion of bulk medicine in the sales structure.

As at 31 December 2020, the inventory balance of the Group was approximately RMB246,028,000 (as at 31 December 2019: RMB180,759,000), representing an increase of RMB65,269,000 as compared with 2019. The increase in inventory as at the end of the period was mainly due to early stock-up for the relocation of Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd.

As at 31 December 2020, the Group's contracted but not provided for plant and machinery capital commitments amounted to approximately RMB252,523,000 (as at 31 December 2019: RMB24,919,000), which was mainly related to Suzhou Dawnrays Pharmaceutical Co. Ltd.'s relocation construction project and Lanzhou Dawnrays Pharmaceutical Co. Ltd.'s bulk medicines base project .

SUBSTANTIAL INVESTMENT

Nanjing PharmaRays Science and Technology Co., Ltd. ("Nanjing PharmaRays"), a research and development enterprise, was jointly established by Suzhou Dawnrays Pharmaceutical and two independent third parties in 2019 with Suzhou Dawnrays Pharmaceutical holding 65% of the shares of Nanjing PharmaRays. The company is an independent research and development platform, with a focus on new drug products which are developed, using new technologies of drug delivery systems, so as to meet the market demand for drugs in innovative dosage forms. Nanjing PharmaRays officially commenced its business on 12 January 2020. It has major equipment and personnel and is engaged in the development of new generic drugs. The registered capital of Nanjing PharmaRays is RMB50,000,000, and Suzhou Dawnrays Pharmaceutical has made a capital contribution of RMB20,000,000 for the first instalment, in accordance with the joint venture agreement. The capital contributions of the other two shareholders have been paid in accordance with the joint venture agreement.

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. As of 31 December 2020, Suzhou Dawnrays Pharmaceutical received the relocation compensation of RMB175,595,000. Suzhou Dawnrays Pharmaceutical purchased 100 mu of land in Wusongjiang Chemical Industrial Park in Wuzhong Economic Development Zone for the construction of the relocation project, in August 2019. The funds of RMB355 million are planned to be invested in the project. At present, the project is under construction.

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. terminated its production in January 2021 and is in the stage of demolition and relocation. The net revenue from the relocation is expected to be approximately RMB5 million.

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$50 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, bulk medicines for system specific medicines, raw materials of enzyme inhibitors, and raw materials of health supplements. At present, the project is under construction.

On 24 December 2019, Suzhou Dawnrays Pharmaceutical signed a transfer 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 the marketing authorization holder of Febuxostat tablets (40mg, 80mg) and bulk medicines for gout treatment. Suzhou Dawnrays Pharmaceutical paid the first instalment of RMB20 million for the transfer in accordance with the agreement in January 2020. On 2 February 2021, Nanjing Haina Medical and Pharmaceutical Technology Company Limited (南京海納醫藥科技股份有限公司) obtained the drug registration certificates for Febuxostat Tablets (40mg, 80mg). Relevant procedures for the change of the marketing authorization holder are being gone through.

During the year, to streamline group structure, the Group restructured Top Field Limited (which was acquired by the Group on 7 May 2019) and its subsidiaries in accordance with statutory requirements. Top Field Limited was deregistered on 22 May 2020. Deregistration application for Cinmed (Hong Kong) Investment Limited, a subsidiary of Top Field Limited, commenced in March 2020 and was approved for dissolution on 11 February 2021. Deregistration application for Cinmed Medical Equipment (Putian) Co., Ltd., a subsidiary of Cinmed Pharmaceuticals Co. Ltd., commenced in December 2020 and was approved on 1 February 2021. Cinmed Pharmaceuticals Co., Ltd., was approved to rename as Fujian Dawnrays Pharmaceutical Co.,Ltd. ("Fujian Dawnrays") on 2 March 2020. The acquisition of Top Field Limited generated goodwill of RMB241,158,000 ("Fujian Dawnrays Goodwill") and the Group is required to perform the impairment test for "Fujian Dawnrays Goodwill" at each reporting period end. Impairment assessment is carried out by determining the value in use of the cash-generating unit of Fujian Dawnrays. After an assessment, the Group believes that there was no impairment on "Fujian Dawnrays Goodwill" as at 31 December 2020, for the reason that in relation to the cash-generating unit of Fujian Dawnrays, the recoverable amount based on value in use exceeded the carrying value as at 31 December 2020.

INTRODUCTION OF STRATEGIC INVESTORS BY SUBSIDIARIES

During the period, Dawnrays International Company Limited., a subsidiary of the Group, and Xiangbei Welman Pharmaceutical Co., Ltd. (湘北威爾曼製藥股份有限公司) (Xiangbei Welman), an independent third party, entered into a joint venture contract, and Xiangbei Welman held 5% of shares in Lanzhou Dawnrays Pharmaceutical Co., Ltd., amounting to US$2.5 million, by way of capital increase. Xiangbei Welman Pharmaceutical Co., Ltd. is a joint stock company with Hong Kong "Welman International New Drug Development Centre (Group) Limited" as the major investor. Established in 1995, the company is located in Liuyang Development Zone, Hunan Province, with an area of 268 mu and a registered capital of RMB365.925 million. Its principal business is drug research and development, production and sales, and its core products are anti-resistance antibiotic preparations such as anti-resistance combinations of penicillins and combinations of cephalosporin against super bacteria. Xiangbei Welman is one of the major customers of bulk medicines of the Group. The Group believes that the introduction of Xiangbei Welman as a shareholder of Lanzhou Dawnrays contributes to stabilizing the sales of bulk medicines of the Group and expanding the production line of Lanzhou Dawnrays. The first instalment of the investment of Xiangbei Welman was paid in March 2021 in accordance with the joint venture contract.

Save as disclosed above, there were no significant external investments, material acquisitions or disposal of subsidiaries and associated companies by the Group during the year.

FOREIGN EXCHANGE AND TREASURY POLICIES

Because of the appreciation of Renminbi in the second half of 2020, as a result, as at 31 December 2020, the Group recorded an exchange loss of RMB1,476,000 (2019: gain of RMB2,298,000) . 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 2020, the Group employed approximately 1,090 employees and the total remuneration was approximately RMB156,313,000 (2019: RMB139,658,000). 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 2020, the Group had not pledged any assets to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2019: Nil).

CONTINGENT LIABILITIES

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

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 and capital for relocation plans 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 48,119,000 shares of the Company's listed securities on The Stock Exchange of Hong Kong Ltd. at an aggregate consideration of HK$53,204,200 before expenses. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. The repurchased shares, of which 37,911,000 shares were cancelled in 2020 and the remaining 10,208,000 shares were cancelled on 14 January 2021.

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$)
January 2020	2,267,000	1.47	1.39	3,257,000
August 2020	1,872,000	0.92	0.90	1,704,880
September 2020	5,372,000	1.02	0.90	5,038,760
October 2020	8,696,000	0.95	0.86	7,798,400
November 2020	14,448,000	1.10	0.87	14,013,080
December 2020	15,464,000	1.49	1.12	21,392,080
Total	48,119,000			53,204,200

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 2020.

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 2020.

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 2020 annual report.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2020 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 2020 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$0.05 per share and a special dividend of HK$0.05 per share payable to shareholders whose names appear in the Register of Members of the Company on Wednesday, 2 June 2021. The proposed final dividend of HK$0.05 and proposed special dividend of HK$0.05 per share, the payment of which are subject to approval of the shareholders at the 2021 AGM of the Company to be held on Friday, 28 May 2021, are to be payable on Wednesday, 16 June 2021 to shareholders.

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

(i) from Monday, 24 May 2021 to Friday, 28 May 2021, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 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, 21 May 2021 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, 3 June 2021 to Friday, 4 June 2021, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend and proposed special dividend. In order to establish entitlements to the proposed final dividend and proposed special 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, 2 June 2021 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, 26 March 2021

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.