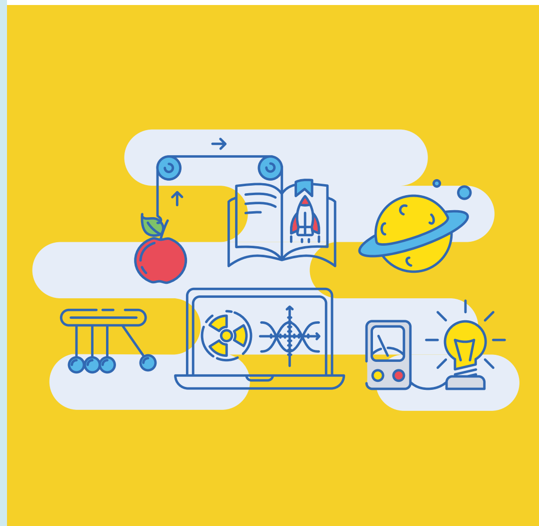
SINO BIOPHARMACEUTICAL LIMITED

中 國 生 物 製 藥 有 限 公 司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)



Annual Report

2020

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Corporate Profile

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

Principal products:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

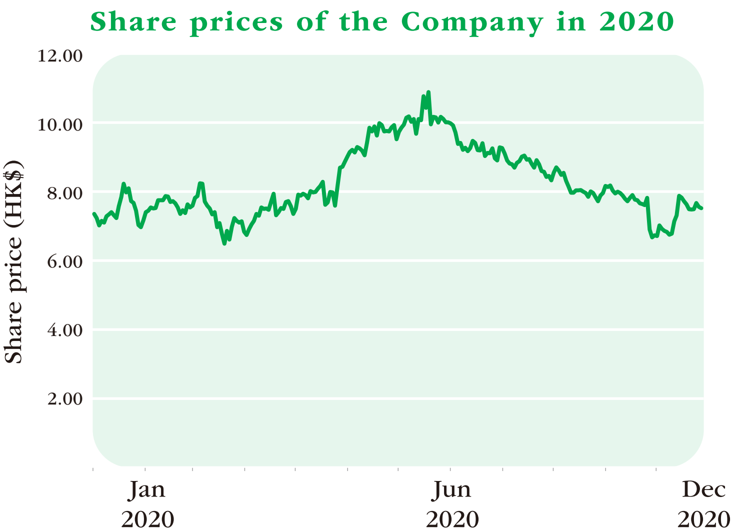
The Company was selected as a constituent stock of the Hang Seng China Enterprises Index with effect from 9 December 2019.

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

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

The Group's website: http://www.sinobiopharm.com

Fig.1.1



- Revenue: RMB23.6 billion (2020)
- Net Profit: RMB4.3 billion (2020)
- As at the end of 2020, the aggregate amount of cash dividend distribution was over HK$6.4 billion
- For the three years from 2018 to 2020, the total amount of taxes paid was over RMB11 billion

PRINCIPAL SUBSIDIARIES OF THE GROUP

Fig.1.2

Sino Biopharmaceutical Limited
(Cayman Islands)

Subsidiary	Place	Business	Holding
Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd.	(PRC)	Investment	100%
CP Pharmaceutical (Qingdao) Co., Ltd.	(PRC)	R&D, Manufacture & Sale	93%
Qingdao Heng Seng Tang Pharmacy Co., Ltd.	(PRC)	Retail	93%
Qingdao Chia Tai Kang Heng Medicines Co., Ltd.	(PRC)	Sale & Distribution	93%
Changshu Chia Tai Teda Logistics Development Co., Ltd.	(PRC)	Distribution of pharmaceutical products	75%
Zhengtai Logistics (Tianjin) Co., Ltd.	(PRC)	Distribution of pharmaceutical products	75%
Jiangsu Runji Investment Co., Ltd.	(PRC)	Investment	60%
Beijing Tide Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale	57.6%
Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale	55.588%
Jiangsu Chia Tai Qingjiang Medicines Co., Ltd.	(PRC)	Sale & Distribution	55.588%
China Biotech & Drug Development Limited	(Hong Kong)	R&D	51%
Chia Tai Shaoyang Orthopedic Hospital	(PRC)	Outpatient & Hospitalization	44.2%
Tianjin Chia Tai Zhenwutang Food Co., Ltd.	(PRC)	Manufacture & Sale	34.64%
Zhejiang Tianqing Zhongwei Medicines Co., Ltd.	(PRC)	Sale & Distribution	33%
Suzhou Tianqing Xingwei Medicines Co., Ltd.	(PRC)	Sale & Distribution	33%
Chia Tai Yushanfang Health Technology (Hangzhou) Co., Ltd.	(PRC)	Health information consultancy services	100%
Shanghai Tongyong Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale	81.786%
Shanghai Tongzheng Import Export Co., Ltd.	(PRC)	Sale & Distribution	81.786%
Chia Tai Yeheng Biotech (Shanghai) Co., Ltd.	(PRC)	Medical technology development	70%
Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale	60.898%
Jiangsu Chia Tai Fenghai Medicines Co., Ltd.	(PRC)	Sale & Distribution	60.898%
Nanjing Chia Tai Fenghai Medicines Technology Co., Ltd.	(PRC)	Sale & Distribution	60.898%
Chia Tai-Tianqing Pharmaceutical Group Co., Ltd.	(PRC)	R&D, Manufacture & Sale	60%
Lianyungang Chia Tai Tianqing Medicines Co., Ltd.	(PRC)	Sale & Distribution	60%
Lianyungang Tianrun Pharmacy Ltd.	(PRC)	Retail	60%
Lianyungang Runzhong Pharmaceutical Co., Ltd.	(PRC)	Manufacture & Sale	60%
Nanjing Shunxin Pharmaceutical Co., Ltd.	(PRC)	Manufacture & Sale	60%
Chia Tai Tianqing Europe SL	(Spain)	Health information consultancy services	60%
Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale	55.6%
Anhui Chia Tai Banlanhua Healthcare Industry Co., Ltd.	(PRC)	Distribution & Retail	43.365%

Financial Summary

A summary of the published results and assets, liabilities, net asset and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

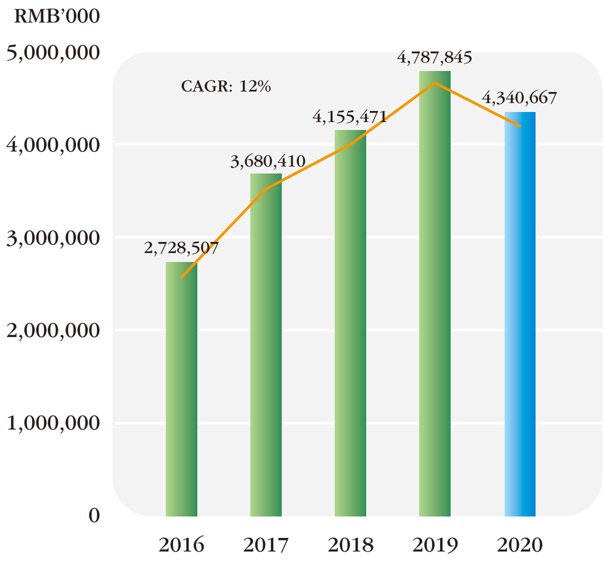
	2020 RMB'000	2019 RMB'000 (Restated)	2018 RMB'000 (Restated)	2017 RMB'000 (Restated)	2016 RMB'000 (Restated)
TURNOVER	**23,647,224**	24,234,030	21,472,122	18,325,878	13,543,379
Cost of sales	**(5,182,320)**	(4,926,268)	(4,291,133)	(3,622,808)	(2,816,620)
Gross profit	**18,464,904**	19,307,762	17,180,989	14,703,070	10,726,759
Other income and gains	**1,241,223**	862,603	887,796	680,734	274,531
Selling and distribution costs	**(8,972,635)**	(9,319,541)	(8,277,054)	(7,170,818)	(5,453,137)
Administrative expenses	**(2,655,926)**	(2,477,418)	(2,252,313)	(2,165,033)	(1,039,434)
Other operating expenses	**(2,737,921)**	(2,564,249)	(2,419,844)	(1,602,428)	(1,526,075)
Including: Research and development costs	***(2,626,709)***	*(2,398,712)*	*(2,124,040)*	*(1,595,312)*	*(1,368,192)*
Finance costs	**(323,368)**	(229,950)	(151,476)	(80,653)	(76,648)
Share of profits and losses of associates	**(3,233)**	111,385	(63,902)	7,294	297,495
PROFIT BEFORE TAX	**5,013,044**	5,690,592	4,904,196	4,372,166	3,203,491
Income tax expenses	**(672,377)**	(902,747)	(748,725)	(691,756)	(474,984)
PROFIT FOR THE YEAR	**4,340,667**	4,787,845	4,155,471	3,680,410	2,728,507
Attributable to:					
Owners of the parent	**2,771,086**	2,761,542	2,390,096	2,518,569	1,637,378
Non-controlling interests	**1,569,581**	2,026,303	1,765,375	1,161,841	1,091,129
	4,340,667	4,787,845	4,155,471	3,680,410	2,728,507
TOTAL ASSETS	**47,210,438**	37,514,192	29,031,350	25,750,672	24,434,854
TOTAL LIABILITIES	**(24,790,880)**	(16,953,010)	(11,252,131)	(9,636,893)	(9,676,471)
NET ASSETS	**22,419,558**	20,561,182	17,779,219	16,113,779	14,758,383
NON-CONTROLLING INTERESTS	**(5,672,398)**	(5,611,937)	(4,757,776)	(5,190,400)	(4,779,144)

SALES GROWTH

Fig.1.3

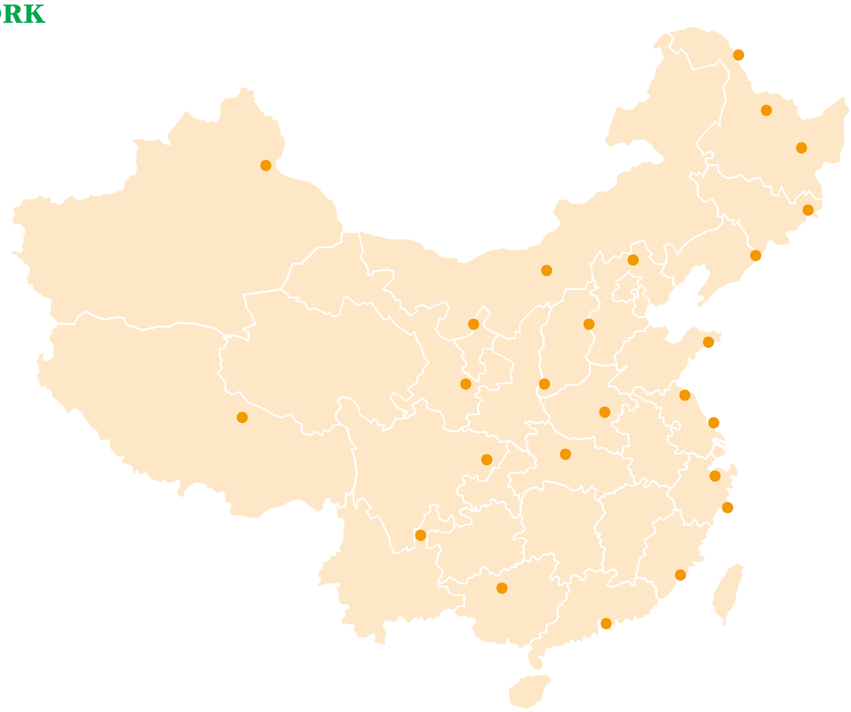
GROWTH OF PROFIT

Fig.1.4



SALES NETWORK

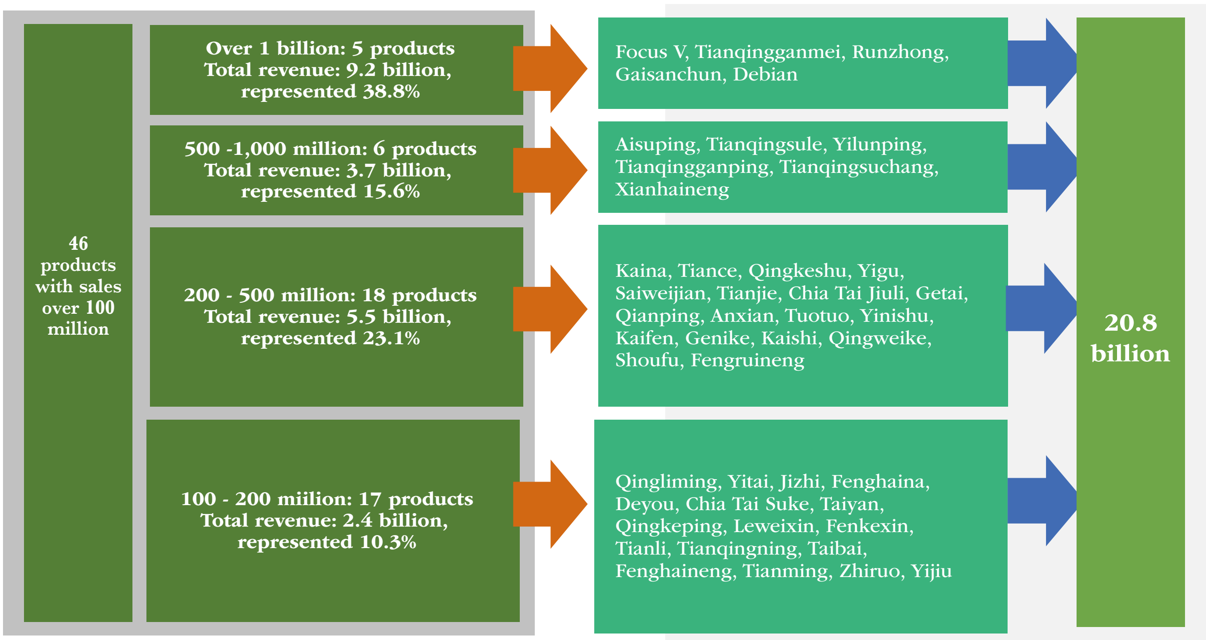
Fig.1.5



- Sales networks are distributed over the whole country; Over 13,000 professional sales staff
- Cover over 90% hospitals.
- R&D expenditures was over 12% of revenue.

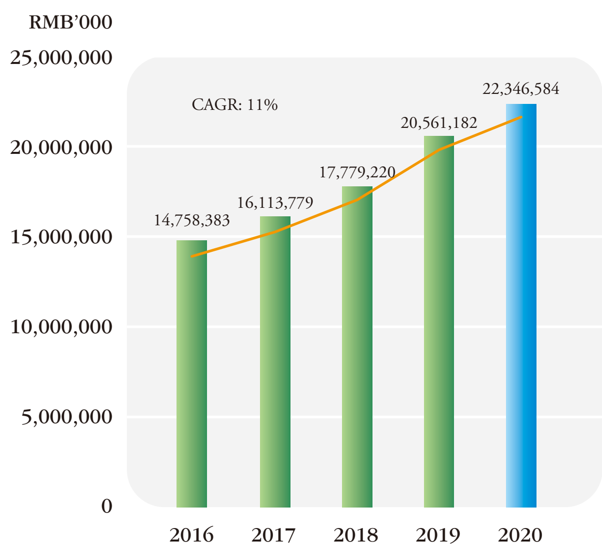
BLOCKBUSTER PRODUCTS

Fig.1.6



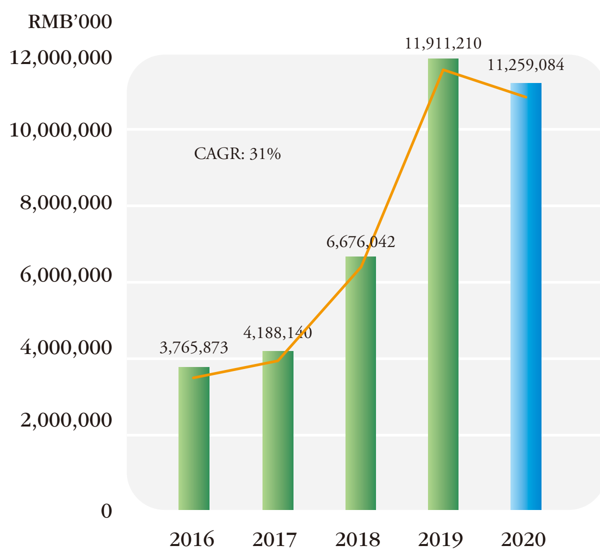
NET ASSETS VALUE

Fig.1.7



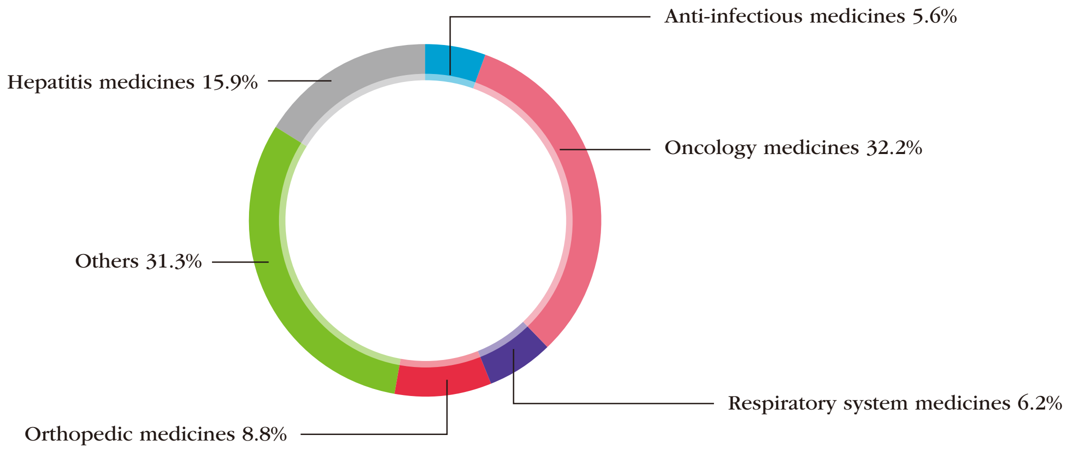
CASH AND BANK BALANCES

Fig.1.8



REVENUE BY THERAPEUTIC CATEGORIES (2020)

Fig.1.9



R&D STRENGTH – BLOCKBUSTER PRODUCTS PLANNED TO BE LAUNCHED IN THE NEXT THREE YEARS

Fig.2.0

Products planned to be launched in 2021

	Generic Name of the Drugs	Therapeutic Area
1	Etoricoxibtablets (approved)	Orthopedics
2	Afatinib Dimaleate Capsule (approved)	Oncology
3	Linezolid And Glucose Injection (supplement; approved)	Infectious Dieases
4	Zoledronic Acid Injection (new Indication; approved)	Orthopedics
5	Anlotinib New Indication (Medullary Thyroid Carcinoma; approved)	Oncology
6	Empagliflozin Tablets (approved)	Diabetes
7	Esomeprazole Magnesium Enteric-coated Capsules (approved)	Digestive
8	Paricalcitol Injection (approved)	Orthopedics
9	Fosaprepitant Dimeglumine For Injection (FDA ANDA, approved)	Oncology
10	Lenvatinib Mesilate Capsules	Oncology
11	Penpulimab (PD-1 mAb)	Oncology
12	Recombinant Human Coagulation Factor VIII For Injection	Hematology
13	Adalimumab Solution For Injection	Auto-immune
14	Sunitinib Malate Capsules	Oncology
15	Sacubatro/Valsartan Tablets	Cardiovascular
16	Tenofovir Alafenamide Fumarate Tablets	Hepatitis
17	Colistimethate Sodium For Injection	Infectious Disease
18	Limaprost Alfadex Tablets	Spinal Stenosis
19	Sofosbuvir Tablets	Anti-viral
20	Sitagliptin Phosphate Tablets	Diabetes

	Generic Name of the Drugs	Therapeutic Area
21	Dexmedetomidine Hydrochloride	Anesthesia
22	Sitagliptin and Metformin Hydrochloride Extended-release Tablets	Diabetes
23	Tolvaptan Table	Cardiovascular
24	Sugammadex Sodium Injection	Anesthesia
25	Lenvatinib Mesilate Capsules	Oncology
26	Tadalafil Tablets (Add Specification)	Reproductive
27	Rivaroxaban Tablets (Add Specification)	Cardiovascular
28	Amlodipine Besylate And Atorvastatin Calcium Tablets	Cardiovascular
29	Spironolactone Tablets (Add Specification)	Edema
30	Edaravone Injection	Cardiovascular
31	TY01 Su Qian	Specialty Care
32	TY02 Tian Neng	Specialty Care
33	Tofacitinib Citrate Tablets	Auto-immune

Products planned to be launched in 2022

	Generic Name of the Drugs	Therapeutic Area
1	Anlotinib Capsules (5th Indication: Differentiated Thyroid Cancer)	Oncology
2	Pd-l1 mAb	Oncology
3	Tqb3139	Oncology
4	Tqb3101	Oncology
5	Bevacizumab	Oncology
6	Rituximab	Oncology
7	Trastuzumab	Oncology
8	Salmeterol Xinafoate And Fluticasone Propionate Powder for inhalation	Respiratory
9	Paclitaxel For Injection (Albumin Bound)	Oncology
10	Dexlansoprazole Enteric-coated Capsules	Digestive
11	Everolimus Tablets	Oncology
12	Trifluridine and Tipiracil Hydrochloride Tablets	Oncology
13	Aprepitant Capsules	Oncology
14	Vortioxetine Hydrobromide Tablets	Neurology
15	Degarelix Acetate Injection	Oncology
16	Loxoprofen Sodium Cataplasms	Orthopedics
17	Rivastigmine Transdermal Patch	Alzheimer
18	Aprepitant Capsules	Oncology
19	Tenofovir Alafenamide Fumarate Tablets	Anti-viral
20	Mirabegron Sustained-release Tablets	Degenerative disease
21	Dexrazoxane For Injection	Oncology
22	Lubiprostone Capsules	Digestive
23	Fudosteine Oral Solution	Respiratory
24	Esmolol Hydrochloride Injection	Cardiovascular
25	Esmolol Hydrochloride and Sodium Chloride Injection	Cardiovascular
26	Tedizolid Phosphate For Injection	Infectious Diseases
27	Polaprezine Granules	Digestive
28	Dexmedetomidine Hydrochloride Injection	Anesthesia

	Generic Name of the Drugs	Therapeutic Area
29	Posaconazole Injection	Anti-fungi
30	Levodopa And Benserazide Hydrocbloride Tablets	Parkinson's disease
31	Carbohydrate And Electrolyte Injection (Add Specification)	Others
32	Hai Wei Shu	Specialty Care
33	Tian Neng Xin	Specialty Care
34	Hai Wei An	Specialty Care
35	Atomoxetine Hydrochloride Capsules (Add Specification)	Adha
36	Atomoxetine Hydrochloride Oral Solutio	Adha
37	Dexmedetomidine Hydrochloride Injection	Anesthesia
38	Cefixime Tablets (Add Specification)	Infectious Diseases

Products planned to be launched in 2023

	Generic Name of the Drugs	Therapeutic Area
1	Tqb3525	Oncology
2	Amphotericin B Liposome	Infectious Diseases
3	Pertuzumab	Oncology
4	Liraglutide	Diabetes
5	Insulin Degludec	Diabetes
6	Sofosbuvir Tablets	Anti-viral
7	Eltrombopag Olamine	Oncology
8	Acetyl-beta-methylcholine Chloride	Respiratory
9	Linezolid	Infectious Diseases
10	Nelarabine Injection	Oncology
11	Arformoterol Tartrate Nebules Inhalation Solution	Respiratory
12	Sugammadex Sodium Injection	Anesthesia
13	Rotigotine Patch	Parkinson's disease
14	Flurbiprofen Patch	Pain Management
15	Palbociclib Capsule	Oncology
16	Lanthanum Carbonate Tablets	Hyperphosphatemia
17	Tedizolid Phosphate	Infectious Diseases
18	Polidocanol Injection	Cardiovascular
19	Edoxaban Tosilate Tablet	Cardiovascular
20	Tedizolidphosphate Tablet	Infectious Diseases
21	Dabigatran Etexilate Capsules	Cardiovascular
22	Sacubitril Valsartan Sodium Tablets	Cardiovascular
23	Venlafaxine Hydrochloride Extended-release Capsules	Psychiatric
24	Balanced Multi-electrolytes Injection	Surgeries
25	Pazopanib Tablets	Oncology
26	Roxadustat Capsules	Urology
27	Macitentan Tablets	Pulmonary Hypertension
28	Lanthanum Carbonate Tablets	Hyperphosphatemia
29	Urapidil Hydrochloride Injection	Cardiovascular
30	Isavuconazole for Injection	Infectious Diseases
31	Mannitol Injection (Add Indication)	Tissue Dehydration

	Generic Name of the Drugs	Therapeutic Area
32	Kang Qi Li	Specialty Care
33	Hai Le Tai	Specialty Care
34	Cyclobenzaprine Hydrochloride Capsules	Pain Management
35	Calcitriol Oral Solution	Orthopedics
36	Frovatriptan Succinate Tablets	Migraine
37	Topiroxostat Tablets	Hyperuricemia
38	Omeprazole/Sodium: Magnesium Chewable Tablets	Digestive System
39	Pediatric Calcium Carbonate and Vitamin D3 Granules	Orthopedics
40	Eldecalcitol Capsules	Orthopedics
41	Iguratimod Tablets	Autoimmune
42	Apremilast Tablets	Autoimmune
43	Risedronate Sodium (Add Indication)	Orthopedics
44	Bromhexine Hydrochloride Injection	Immunology
45	Ornidazole Injection	Infectious Diseases
46	Rocuronium Bromide Injection	Muscle
47	Oseltamivir Dry Suspension	Anti-viral
48	Cinacalcet Hydrochloride Tablets	Ckd
49	Urapidil Hydrochloride Injection	Cardiovascular

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to report the results of the Group for the year ended 31 December, 2020.

INDUSTRY OVERVIEW

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

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

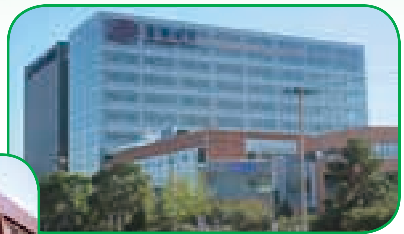
Amid the pandemic, the "Internet + healthcare" operations, online drug sales and online academic services gained national policy support, and online follow-up consultation services for common and chronic diseases have been included to the medical insurance payment scheme, setting a precedent in related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

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

BUSINESS REVIEW

The Group's outstanding achievements during 2020

- The Group made a capital contribution to Sinovac Life Sciences Co., Ltd. ("Sinovac LS") that amounted to US$515 million and becomes interested in a 15.03% equity interest in Sinovac LS. Sinovac LS has made significant progress in the phase III clinical trials of its inactivated COVID-19 vaccine and it has received orders from different countries, with a promising profitability outlook. The investment will help Sinovac enhance its R&D and production capabilities of CoronaVac, a COVID-19 vaccine, and other development and operational activities of Sinovac LS. The investment also marks Sino Biopharm's foray into vaccine R&D and production. Sinovac LS, which is principally engaged in the business of R&D of vaccines for human use, has made significant progress in the development of the COVID-19 vaccine CoronaVac. It is not only the first to successfully develop an inactivated COVID-19 vaccine, but also one of the few enterprises in China that can produce such vaccines on a large scale.

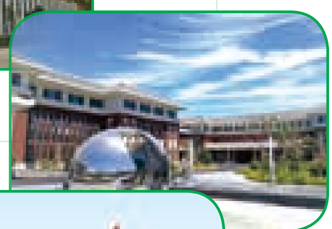


Beijing Tide's factory

NJCTT's factory

CT Tianqing's factory

CT Tianqing's R&D Centre



CP Qingdao's factory

Factories of Jiangsu CT Fenghai

Jiangsu CT Qingjiang's factory

Shanghai Tongyong's factory

Shaoyang Hospital

- Penpulimab (product name: Annike), an anti-PD-1 monoclonal antibody drug that is jointly developed by the Group and Akeso, Inc., for third-line treatment of metastatic nasopharyngeal carcinoma has gained fast-track designation (FTD) from the U.S. Food and Drug Administration ("FDA"). During the 35th Annual Meeting of the Society for Immunotherapy of Cancer, the latest research data on the monoclonal antibody Penpulimab in treating relapsed or refractory classic Hodgkin lymphoma was presented. The objective response rate (ORR) and complete remission rate (CR) reached 83.6% and 49.3%, respectively, levels which far exceeded historical comparison and outperformed published data on PD-1 monoclonal antibodies that have been approved for launch conditionally.

- Results of the "2020 Top 100 Chinese Chemical Pharmaceutical Enterprises – Comprehensive Strength" (二零二零中國化學製藥行業工業企業綜合實力百強榜) were announced during the "China ChemPharm Annual Summit 2020" held in October 2020. Six member companies of the Group made it to the top 100 list, including CT Tianqing which ranked 5th, NJCTT and Beijing Tide which ranked 37th and 38th, respectively, Jiangsu CT Fenghai which ranked 68th, as well as CP Qingdao and Jiangsu CT Qingjiang which ranked 97th and 99th, respectively.

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

  The Group's new Chemicals Category I drug Anlotinib received the "2020 Innovative Drug Special Award in China's Chemical Pharmaceutical Industry" (二零二零年中國化學製藥行業創新藥特設獎); its Kaina (Beraprost Sodium) tablets won the "2020 Outstanding Product Brand-Blood and Hematopoietic System in China's Chemical Pharmaceutical Industry" (二零二零年中國化學製藥行業血液及造血系統類優秀產品品牌) and its Debaining (Lidocaine Cataplasm) obtained the "2020 Outstanding Generic Drug Special Award in China's Chemical Pharmaceutical Industry" (二零二零年中國化學製藥行業優秀仿製藥特設獎). CT Tianqing and NJCTT also won 19 other product awards.

- China National Pharmaceutical Industry Information Center announced the "2019 Top 100 Industrial Enterprises in China": CT Tianqing ranked 16, and was also awarded "The Best Industrial Enterprise of China's Pharmaceutical R&D Product Line in 2020", which was also awarded as the top 20 for six consecutive years. Beijing Tide ranked 62nd.

- Sino Biopharm ranked 2nd of the "2019 China's Pharmaceutical Industry Top 100 Series List" in the "2020 National Pharmacy Week and China's Top 100 Pharmaceutical Industry Conference, China Pharmaceutical Internet Economy Annual Conference".

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

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

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

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

The centralized drug procurement has had the most impact on the therapeutic categories of hepatitis, cardio-cerebral vascular, analgesic and digestive system medicines, thereby causing a significant fall of their revenue contributions. The oncology drug FOCUS V® (Anlotinib) has been approved for three new indications, namely non-small cell lung cancer, small cell lung cancer and soft tissue sarcoma, and it has been included to the National Medical Reimbursement Drug List. The Group has formed a strong product mix with 23 oncology products for various solid or haematological tumors. Oncology products of the Group have included more and more new products which have generated strong revenue, accounting for a third of total revenue, and becoming the most important product category. The new respiratory drug Tianqingsuchang generated strong sales of over RMB500 million after it was marketed, slightly more than six months ago and it is therefore worth looking forward to its higher revenue and profit contributions.

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

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

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

Brief introduction to some newly-approved products:

- **Pomalidomide** is the new-generation immunomodulatory agent for the treatment of haematological oncology, and it is applicable for indications including multiple myeloma and Kaposi sarcoma. Compared with Thalidomide and Lenalidomide, Pomalidomide has a lower therapeutic dose and a low incidence of adverse events, as well as a significant effect on patients who are refractory to both Lenalidomide and Bortezomib. Pomalidomide is also the first new drug in nearly 20 years for Kaposi sarcoma and the only oral drug for the disease. The branded drug of Pomalidomide was marketed in the US in 2013 and it generated global sales of over US$3 billion in 2020, but it has not been launched in China. So the Group's product is the first in the domestic market and it is set to bring new hope to patients of applicable indications.

- **Afatinib Dimaleate** is the second generation epidermal growth factor receptor ("EGFR") inhibitor. In 2013, it obtained FDA approval as the first-line treatment for lung cancer patients with EGFR-positive mutations. Compared with the first–generation drug, the product can significantly reduce the risks of cancer growth and mortality and significantly improve control of the disease. Market approval will therefore enhance the Group's drug layout for lung cancer indications.

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

PROSPECTS

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

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

APPRECIATION

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

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

ONCOLOGY MEDICINES

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

HEPATITIS MEDICINES

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

ORTHOPEDIC MEDICINES

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

RESPIRATORY SYSTEM MEDICINES

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

ANTI-INFECTIOUS MEDICINES

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

OTHERS

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

UNDERLYING PROFIT

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

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

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

SIGNIFICANT INVESTMENTS DURING THE YEAR

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

During the year, the Group entered into agreements in relation to the capital contribution to Medlinker Limited ("Medlinker") in an amount of approximately US$514 million in total. Upon completion of the capital contribution, the Group has become interested in 13.09% in the capital of Medlinker. It was accounted for as financial assets at fair value through profit or loss in the financial statements of the Group. As at 31 December, 2020, the fair value of the investment in Medlinker was approximately RMB3,865.07 million, which accounted for approximately 8.2% of total assets of the Group. The unrealized fair value gain on the investment in Medlinker was approximately RMB414.19 million for the year ended 31 December, 2020. Medlinker is principally engaged in building China's leading internet hospital, providing chronic disease patients with long-term and standardized specialist chronic disease management services, helping doctor, serving patients and actively building a complete closed loop of patient screening, follow-up visits, delivery of medicines, medicines insurance payment and out-of-hospital health management. Investment in Medlinker is a breakthrough point for the Group to deploy its internet medical strategy.

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

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

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

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

R&D

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

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

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

INVESTOR RELATIONS

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

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

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

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

THE ISSUANCE OF CONVERTIBLE BONDS

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

CAPITAL STRUCTURE

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

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

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

ASSETS AND GEARING RATIO

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

EMPLOYEE AND REMUNERATION POLICIES

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

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

Sino Biopharmaceutical Limited (the "Company") is pleased to present the Corporate Governance Report. The Company is committed to achieving high standards of governance that properly protects and promotes the interests of all shareholders and enhances corporate value and accountability.

For the year ended 31 December, 2020, the Company has applied the principles of and complied with all 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 Limited (the "Listing Rules"), except for the deviation from Code Provisions E.1.2 and A.6.7 in relation to attendance of the annual general meeting of the Company (the "AGM") by the chairwoman of the board of directors (the "Board") and Independent Non-Executive Directors ("INED(s)"). The chairwoman of the Board and three INEDs were unable to attend the AGM held on 26 May, 2020 due to other business engagements.

Despite the removal of the requirement for qualified accountant on 1 January, 2009, the Company continues to engage qualified accountants to oversee its finance, accounting and financial reporting functions.

This report describes our corporate governance code and explains the application of the CG Code and any deviation from the CG Code, if any.

A. BOARD OF DIRECTORS

THE BOARD

The Board is accountable to the shareholders for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with particular attention paid to the development and financial performance of the Group.

The Board has determined that certain matters such as strategic planning, significant transactions and annual budget should be retained for the Board's approval. It has formalised the functions reserved to the Board to achieve a clear division of the responsibilities of the Board and the management. The Board has delegated its responsibilities to senior management to deal with day-to-day operations and reviewed those arrangements on a periodic basis. Management then reports back to the Board and obtains prior approval before making decisions for key matters or entering into any material commitments on behalf of the Company. The Board has conducted regular review on the contribution required from a director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing them.

To maximise the efficiency of the Board and to encourage active participation and contribution by Board members, the Board has established an Executive Board Committee (the "EBC"), the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nomination Committee (the "NC") with specific terms of reference, which are on terms no less exacting than those set out in the CG Code, to assist in the execution of their duties. The written terms of reference of each of the committees are reviewed and amended, if necessary, from time to time on the committees' structure, duties and memberships, and have been posted on the websites of the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company Secretary and the Qualified Accountant shall, where appropriate and necessary, attend all meetings of the Board/committees to advise on corporate governance, statutory compliance, accounting and financial matters. All directors have access to the Company Secretary who is responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeover and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations.

All directors are given opportunities to include matters to be discussed in the agenda of the Board/committees meetings. The Company Secretary is delegated with the responsibility to prepare the agenda and, where appropriate, take into account any matters proposed by each director/committee member for inclusion in the agenda.

The Board meets regularly and at least four board meetings are scheduled annually at approximately quarterly intervals. Ad-hoc meetings are also convened when they are considered necessary. Directors are encouraged to participate actively either in person or through electronic means of communications. Notices of regular Board/committees meetings were given at least 14 days before the date of meeting. For all other Board/committees meetings, reasonable notices were given.

Other than exceptional circumstances, an agenda accompanied by any related materials are circulated to all directors in a timely manner and at least 3 days before the date of the scheduled meeting. Where queries are raised by directors, response should be given as promptly and fully as possible within a reasonable time.

Minutes of the Board/committees meetings are recorded in details for the matters considered by the participants of such meetings and the decisions reached, including concerns raised by directors or dissenting views expressed. Draft and final versions of minutes are circulated to relevant directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. They are kept by the Company Secretary or Secretary of the committees and are open for inspection at any reasonable time on reasonable notice by any director. All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

Directors are provided with complete and adequate explanation and information on a timely basis to enable them to make an informed decision or assessment of the Group's performance, position and prospects and to discharge their duties and responsibilities. The directors, in order to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company.

If a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a physical Board meeting and the interested director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. INEDs who have no interests in the transaction shall be present at that Board meeting.

BOARD COMPOSITION

As at 31 December, 2020, the Board consisted of a total of nine executive directors, including the Chairwoman and the Chief Executive Officer ("CEO"), and five INEDs.

Position		Name
Chairwoman	:	Ms. Tse, Theresa Y Y
Executive directors	:	Mr. Tse Ping
	:	Ms. Cheng Cheung Ling
	:	Mr. Tse, Eric S Y
	:	Mr. Tse Hsin
	:	Mr. Li Yi (CEO)
	:	Mr. Wang Shanchun
	:	Mr. Tian Zhoushan
	:	Ms. Li Mingqin
INEDs	:	Mr. Lu Zhengfei
	:	Mr. Li Dakui
	:	Ms. Lu Hong
	:	Mr. Zhang Lu Fu
	:	Mr. Li Kwok Tung Donald

The attributes, skills and expertise among the Board members have a balanced mix of core competencies in areas such as pharmaceutical, accounting and finance, business and management and marketing strategies.

The INEDs meet the requirements of independence under the Listing Rules so that there is a sufficient element of independence in the Board to exercise independent judgements. The Board considers that all of the INEDs are independent and has received from each of them a confirmation of independence as required by the Listing Rules.

The INEDs have the same duties of care and skill and fiduciary duties as the executive directors. The functions of INEDs include, but not limited to:

- participating in Board meetings to bring an independent judgement to bear on issues of corporate strategy, corporate performance, accountability, resources, key appointments and standard of conducts;
- taking the lead where potential conflicts of interests arise;
- serving and actively participating in committees, if invited;
- attending general meetings of the Company, where appropriate, and developing a balanced understanding of the views of shareholders; and
- scrutinising the Group's performance in achieving agreed corporate goals and objectives and monitoring the reporting of results.

CORPORATE GOVERNANCE FUNCTIONS

The Board shall be responsible for the following functions:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring training and continuous professional development of directors and senior management;
- reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements;
- reviewing the Company's compliance with the CG Code, including disclosure in the Corporate Governance Report;
- developing and reviewing the code of conduct and compliance manual, if any, applicable to employees and directors;
- doing any such things to enable the Board committees to discharge their duties and functions;
- conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation; and
- considering and making recommendations on any other corporate governance issues.

CHAIRWOMAN AND CHIEF EXECUTIVE

The CG Code Provision A.2.1 stipulates that the roles of Chairwoman and chief executive should be separate and should not be performed by the same individual. Ms. Tse, Theresa Y Y serves as the Chairwoman throughout the year under review, and Mr. Li Yi took over the position of CEO after Mr. Tse Ping was redesignated as the Senior Vice-Chairman of the Company since 19 August, 2021.

The Chairwoman is responsible for overseeing the operations of the Board and formulating overall strategies and policies of the Company. The Chairwoman also seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

The CEO is responsible for managing the Group's business and operations.

The relationship of Ms. Tse, Theresa Y Y with Mr. Tse Ping and other members of the Board is provided in the Directors and Senior Management Profile section on pages 49 to 50 of this annual report. Mr. Li Yi has no relationship with any Directors of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL

The Company has formal and proper procedure for consideration of the appointment of new directors to the Board and the resignation of any director.

The Executive Directors have not been appointed for a specific term while each of the INEDs has been appointed for a term of two years. All Directors shall be subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company (the "Articles"), the laws of the Cayman Islands and the Listing Rules so far as the same may be applicable. The Articles provide that (i) one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third shall be subject to retirement by rotation provided that every director shall be subject to retirement by rotation at least once every three years; and (ii) the directors to retire by rotation shall include any director who wishes to retire and not to offer himself/herself for re-election. The retiring directors shall be those who have been longest in office since their last re-election or appointment.

The name and biographical details of the directors who will offer themselves for re-election at the forthcoming AGM are set out in a circular accompanying the notice of meeting, which will be despatched together with the annual report, to assist shareholders in making an informed decision on their elections.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, in order to make sure that he/she has appropriate understanding of the business and operations of the Company and is fully aware of his/her responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

Pursuant to CG Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors (except Mr. Li Kwok Tung Donald who was appointed as an INED on 31 December, 2020), being nine executive Directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Li Yi, Mr. Wang Shanchun, Mr. Tian Zhoushan and Ms. Li Mingqin, and four INEDs, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong and Mr. Zhang Lu Fu, have participated in continuous professional development by reading relevant materials on the topics related to corporate governance and regulations and obtained monthly updates on the financial performance and financial position of the Company from the Company's Qualified Accountant.

Company Secretary

The Company Secretary is responsible for facilitating the Board process, as well as communications among the Board members, shareholders and management. Mr. Chan Oi Nin Derek serves as the Company Secretary. He is a full time employee of the Company and possesses the professional qualifications as required under Rule 3.28 of the Listing Rules. He has taken no less than 15 hours of relevant professional training by attending seminars to update his knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

COMMITTEES

The AC was established on 19 September, 2000. The EBC and the RC were established in October, 2005, and the NC was set up on 30 March, 2012.

Executive Board Committee

During the year ended 31 December, 2020, the EBC consisted of Ms. Tse, Theresa Y Y as chairwoman and Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, and Mr. Tse Hsin as members.

The EBC meets as and when required to oversee the day-to-day management of the Group.

All resolutions or recommendations approved by the EBC will be reported to the Board, unless there are legal or regulatory restrictions.

Remuneration Committee

During the year under review, Mr. Zhang Lu Fu served as the chairman and Mr. Lu Zhengfei and Ms. Lu Hong served as members of the committee.

The principal functions of the RC include:

- recommending to the Board on the policies and structure of the remuneration of directors of the Company and senior management of the Group;
- recommending the basis of the remuneration packages of all executive directors and senior management;
- reviewing and approving their performance-based remuneration;
- reviewing the compensation to directors and senior management in connection with any loss or termination of their office or appointment; and
- ensuring that no director or any of his/her associates are involved in deciding his/her own remuneration.

The RC held one meeting during the year to discuss and review the basis of the remuneration policies and packages of the directors of the Company and senior management of the Group. Emoluments of directors are determined by reference to the skills, experiences, responsibilities, employment conditions and time-commitment in the Group's affairs and performance of each director as well as salaries paid by comparable companies and the prevailing market conditions.

Information relating to the remuneration of each director for the year under review is set out in note 8 to the financial statements of this annual report.

Audit Committee

During the year under review, the AC consisted of Mr. Lu Zhengfei as chairman, and Mr. Li Dakui, Ms. Lu Hong, and Mr. Li Kwok Tung Donald (appointed on 31 December, 2020) as members. The members together have sufficient accounting and financial management expertise and legal and business experience to discharge their duties.

The major duties and responsibilities of the AC are set out clearly in its terms of reference, which include:

- considering and recommending the appointment, re-appointment and removal of external auditors;
- approving the remuneration and terms of engagement of external auditors;
- discussing with external auditors the independence and reporting obligations of auditors and the nature and scope of audit before the audit commences;
- monitoring the integrity of financial statements and reviewing the quarterly, interim and annual financial statements and reports before submission to the Board;
- reviewing the Group's financial controls, internal control and risk management systems;
- considering any findings of major investigations for internal control matters as delegated by the Board or on its own initiative and management's response;
- reviewing external auditors' management letter or any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response, and ensuring that the Board will provide a timely response to the issues raised; and
- discussing with management to ensure that management has reviewed if there is adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions.

The AC performed the following work during the year under review:

- met with management and external auditors to review and discuss the financial statements for the year ended 31 December, 2020 and auditors' management letter;
- reviewed with management the unaudited financial statements for the three months ended 31 March, 2020, the six months ended 30 June, 2020, and the nine months ended 30 September, 2020, respectively;
- met with external auditors to review the external auditors' plan for statutory audit and engagement letter;
- recommended to the Board, for the approval by shareholders, of the re-appointment of auditors;
- reviewed the findings and recommendations of the internal audit department on the operations and performance of the Group;

- reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function; and

- discussed with management to ensure that the Board had conducted an annual review such that there was adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions.

Nomination Committee

During the year under review, the NC consisted of Ms. Tse, Theresa Y Y as chairwoman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong, Mr. Zhang Lu Fu, and Mr. Li Kwok Tung Donald (appointed on 31 December, 2020) as members.

The NC has set out in its terms of reference the major duties and responsibilities as follows:

- formulating a formal and transparent procedure for developing nomination policies for approval by the Board, which shall take into consideration factors such as skills, knowledge, experiences, length of service, description of the role and capabilities required for a particular appointment;

- reviewing the structure, size and composition (including the mix of skills, knowledge, experience and length of service and diversity needed) of the Board at least annually; and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- making recommendation to the Board on formulation of the board diversity policy and reviewing the policy from time to time to ensure its continued effectiveness;

- establishing guidelines for the recruitment of the chief executive and senior management and identifying leadership needs of and succession planning for the Company in relation to both directors and other senior executives;

- identifying individuals suitably qualified to become board members or make recommendations to the Board on the selection of individuals nominated for directorship. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules will be assessed to determine whether the nomination is suitable;

- assessing the independence of the INED and reviewing the INEDs' annual confirmations on their independence;

- making recommendations to the Board on the re-appointment of any INED at the conclusion of his/her specified term of office; and

- making recommendations to the Board on matters relating to any actual or potential conflict of interests of directors (including prohibition of voting by the interested director).

During the year under review, no meeting of the NC was held. However, in the Board meetings held on 31 December, 2020, the Board had reviewed the structure, size and composition of the Board in accordance with the Company's board diversity policy and the procedures and criteria for nomination and resignation of directors.

BOARD DIVERSITY POLICY

The board diversity policy of the Company sets out the approach for achieving diversity of the Board, including but not limited to the appropriate balance of skills, experience and diversity of perspectives that are required to support the attainment of the Company's strategic objectives and the sustainable development of the Company. It has been established in light of the fact that there is increasing emphasis on diversity as a component for wider and more comprehensive corporate governance framework.

The NC of the Company may make recommendations to the Board for identifying the necessary criteria when considering appointment of new directors of the Company. Selection of appropriate candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the anticipated merit and contribution that the selected candidate will bring to the Board.

The NC of the Company shall monitor the board diversity policy from time to time and make necessary adjustments such that it best suits the needs of the Company. It will also monitor the implementation of the policy to ensure its continued effectiveness.

BOARD AND COMMITTEE MEETINGS ATTENDANCE

The Board held four regular meetings for discussion of the Company's financial results and five ad-hoc meeting in 2020. Details of the attendance of individual director at the Board meetings, committee meetings and general meetings during the year under review are set out below:

	Number of meeting(s) attended/held			
Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**General Meetings**
Executive Directors				
Ms. Tse, Theresa Y Y	8/9	N/A	N/A	0/2
Mr. Tse Ping	9/9	N/A	N/A	1/2
Ms. Cheng Cheung Ling	9/9	N/A	N/A	1/2
Mr. Tse, Eric S Y	5/9	N/A	N/A	0/2
Mr. Tse Hsin	9/9	N/A	N/A	0/2
Mr. Li Yi (appointed on 19 August, 2020)	6/6	N/A	N/A	N/A
Mr. Wang Shanchun	4/9	N/A	N/A	0/2
Mr. Tian Zhoushan	4/9	N/A	N/A	0/2
Ms. Li Mingqin	9/9	N/A	N/A	0/2
Independent Non-Executive Directors				
Mr. Lu Zhengfei	9/9	4/4	1/1	0/2
Mr. Li Dakui	9/9	4/4	N/A	0/2
Ms. Lu Hong	9/9	4/4	1/1	0/2
Mr. Zhang Lu Fu	9/9	4/4	1/1	1/2
Mr. Li Kwok Tung Donald (appointed on 31 December, 2020)	N/A	N/A	N/A	N/A
Number of meeting(s)	9	4	1	2

SECURITIES TRANSACTIONS BY DIRECTORS AND OFFICERS

The Company has adopted a code of conduct regarding securities transactions by directors and senior management/employees (the "Code") on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules (the "Model Code").

Having made specific enquiry of all directors, it was confirmed that for the year under review all directors had fully complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

Management/employees as defined in the Code who because of their employment possess any inside information at any time are prohibited from dealing in securities of the Company to the same extent as directors.

INSURANCE COVER FOR DIRECTORS' LIABILITIES

The Company has arranged directors' and officers' liability insurance for all directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis.

REMUNERATION OF SENIOR MANAGEMENT

There were 3 employees classified as senior management for the year ended 31 December, 2020. The details of the remuneration of senior management were disclosed as below:

	Amount of remuneration for the year			
	RMB0 – RMB1,000,000	RMB1,000,001 – RMB1,500,000	Above RMB1,500,000	Total number
Number of senior management	–	1	2	3

B. ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Company and the Group, with supporting assumptions or qualifications as necessary. The directors also ensure the timely publication of the financial statements of the Company.

The management provides explanation and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavors to ensure a balanced, clear and understandable assessment of the Company's position and prospects when the Company extends financial reports and other information to general public and regulators pursuant to the Listing Rules and other statutory requirements.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for managing business and operational risks and maintaining a proper and effective system of internal control to safeguard the Group's assets.

An internal audit department has been established to review major operational and financial systems of the Group on a continuing basis and it aims to cover all significant functions within the Group on a rotational basis. The scope of the internal audit department's review and the audit programmes have been approved by the Audit Committee. The department reports directly to the Audit Committee and the Chief Executive Officer, and submits regular reports for their review in accordance with the approved programmes. For the year ended 31 December, 2020, the directors had conducted an annual review of the effectiveness of the Group's systems of risk management and internal control covering all material functions, including finance, operations, and compliance. Based on the results of the review, the directors considered that such systems were effective and adequate.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures are subject to the overall budget control and are controlled by each business unit with approval levels for such expenditures being set by reference to each executive's and officer's level of responsibility. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval by the directors are required for unbudgeted expenditures prior to commitment.

The Board had also conducted a review of and was satisfied with the findings on the adequacy of resources, qualifications and experience, training programmes and budget of staff of the Group's accounting and financial reporting functions for the year under review.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Group's external auditors is set out as follows:

	Fee paid/ payable for the year (RMB'000)
Services rendered	
Audit services	4,840
Non-audit services	41

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual and interim reports, quarterly results announcements, other announcements and circulars made through the Company's and Stock Exchange's websites.

The Company has established a comprehensive communication policy with shareholders and shall modify the same from time to time, to best safeguard the interests of shareholders.

AGM or other general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairwoman of the Board as well as the chairmen of the AC and/or RC, or in their absence, members of the committees or senior management of the Company shall be available to answer shareholders' questions. The chairman of the independent board committee shall also attend the general meetings for approving a connected transaction or any transaction that is subject to independent shareholders' approval.

During the year under review, at the 2020 AGM, directors of the Board were present at the meeting and answered questions raised by shareholders. A representative from the external auditors, Messrs. Ernst & Young, also attended the 2020 AGM and was available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditors' report. All resolutions at the 2020 AGM were passed by way of poll and the notice of the AGM was sent to shareholders at least 20 clear business days before the meeting.

SHAREHOLDERS' RIGHT

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

Pursuant to article 58 of the Articles of Association of the Company, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

DIVIDEND POLICY

The Company adopts a dividend policy of providing shareholders with stable and sustainable dividends. The dividend payment will be based on the Company's financial performance and cash flows, future capital requirements, general economic and business conditions, etc. Whilst the Company does not intend to set any pre-determined dividend distribution ratio in order to allow for financial flexibility, the Company endeavors to strike a proper balance between shareholders' interests and prudent capital management and aims to deliver sustainable dividends that are in line with earnings improvement and long-term growth of the Company.

ENQUIRIES TO THE BOARD

Enquiries may be put forward to the Board through the Company's registered office at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Company regularly releases latest corporate news of the Group on its website at www.sinobiopharm.com. The public are welcome to give comments and make enquiries through the Company's website.

Report of Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December, 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December, 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 64 to 172.

The payment for the first quarter dividend of HK$0.02 per ordinary share, the interim dividend of HK$0.02 per ordinary share, and the third quarter dividend of HK$0.02 per ordinary share totaling approximately HK$1,006,318,000 (equivalent to approximately RMB894,944,000) was made during 2020.

The directors recommend the payment of a final dividend of HK$2 cent per ordinary share in respect of the year ended 31 December, 2020 to shareholders on Monday, 12 July, 2021.

The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the forthcoming annual general meeting of the Company ("AGM").

CLOSURE OF REGISTER OF MEMBERS

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

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

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

BUSINESS REVIEW

A review of the business of the Group and analysis of the Group's performance during the year, including a description of the principal risks and uncertainties facing the Group and financial key performance indicators, is provided in the Chairman's Statement and Management Discussion and Analysis sections on pages 11 to 22 of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
TURNOVER	**23,647,224**	24,234,030	21,472,122	18,325,878	13,543,379
Cost of sales	**(5,182,320)**	(4,926,268)	(4,291,133)	(3,622,808)	(2,816,620)
Gross profit	**18,464,904**	19,307,762	17,180,989	14,703,070	10,726,759
Other income and gains	**1,241,223**	862,603	887,796	680,734	274,531
Selling and distribution costs	**(8,972,635)**	(9,319,541)	(8,277,054)	(7,170,818)	(5,453,137)
Administrative expenses	**(2,655,926)**	(2,477,418)	(2,252,313)	(2,165,033)	(1,039,434)
Other operating expenses	**(2,737,921)**	(2,564,249)	(2,419,844)	(1,602,428)	(1,526,075)
Including: Research and development costs	***(2,626,709)***	*(2,398,712)*	*(2,124,040)*	*(1,595,312)*	*(1,368,192)*
Finance costs	**(323,368)**	(229,950)	(151,476)	(80,653)	(76,648)
Share of profits and losses of associates	**(3,233)**	111,385	(63,902)	7,294	297,495
PROFIT BEFORE TAX	**5,013,044**	5,690,592	4,904,196	4,372,166	3,203,491
Income tax expenses	**(672,377)**	(902,747)	(748,725)	(691,756)	(474,984)
PROFIT FOR THE YEAR	**4,340,667**	4,787,845	4,155,471	3,680,410	2,728,507
Attributable to:					
Owners of the parent	**2,771,086**	2,761,542	2,390,096	2,518,569	1,637,378
Non-controlling interests	**1,569,581**	2,026,303	1,765,375	1,161,841	1,091,129
	4,340,667	4,787,845	4,155,471	3,680,410	2,728,507
TOTAL ASSETS	**47,210,438**	37,514,192	29,031,350	25,750,672	24,434,854
TOTAL LIABILITIES	**(24,790,880)**	(16,953,010)	(11,252,131)	(9,636,893)	(9,676,471)
NET ASSETS	**22,419,558**	20,561,182	17,779,219	16,113,779	14,758,383
NON-CONTROLLING INTERESTS	**(5,672,398)**	(5,611,937)	(4,757,776)	(5,190,400)	(4,779,144)

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital and share options (if any) during the year, together with the reasons therefor, are set out in notes 32 and 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December, 2020, the Company bought back a total of 17,681,000 shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of approximately HK$154.78 million before expenses. The bought back shares were subsequently cancelled. Further details are set out as follows:

Month	Number of shares bought back	Purchase consideration per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$
March	5,979,000	10.22	9.76	60,700,000
April	574,000	10.28	10.22	5,885,880
October	11,128,000	7.96	7.83	88,198,562

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in notes 34 and 44 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December, 2020, the Company's reserves, including share premium account, available for cash distribution/or distribution in specie, calculated in accordance with the provisions of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, and after taking into account for the proposed final dividend of approximately RMB223,931,000 (2019: approximately RMB221,957,000), amounted to approximately RMB17,001,688,000 (2019: approximately RMB16,648,454,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to implement its environment friendly policies through efficient use of resources and active adoption of measures to reduce environmental impacts. An environmental, health and safety management system has been established to conduct environmental impact assessment of new production facilities at the major subsidiaries of the Company. During the production process, the Group has implemented procedures on energy conservation, emission reduction, waste water and solid waste disposal for environmental protection. The Group has also encouraged staff to be environmental friendly by consuming electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Through such policies and compliance with applicable environmental laws and regulations, the Group continues to improve its environmental performance to achieve sustainable development.

The Company will publish an Environmental, Social and Governance Report in accordance with Rule 13.91 and the reporting guide contained in Appendix 27 to the Listing Rules no later than five months after the end of the financial year.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that stakeholder interests play a key role in its sustainable business operation and has maintained effective communications with its key stakeholders, including customers, suppliers and employees to strengthen relationships and co-operations for the long-term development of the Group.

The customers of the Group comprise distributors and hospitals. The Group actively promotes and obtains feedbacks on its products by organizing seminars and new product launching conferences. After-sale services are provided through telephone consultation and complaint handling. The Group is devoted to the provision of quality products and services to promote long-term co-operation with its customers so as to increase market share and improve market competitiveness.

The Group adopts a scientific approach in managing its suppliers through a standardized supplier management system with improved procurement tender mechanism. Annual evaluation on suppliers is conducted to ensure that services and products procured meet the requirements of the Group.

Employees are considered as the most important and valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize employees by providing competitive remuneration packages and implementing a sound performance evaluation system, and to promote career development and progression within the Group by providing adequate training and opportunities. A healthy, safe and happy working environment is also provided through the safety management system, cultural and sports activities and health examinations.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group operates its business through its subsidiaries in the PRC and accordingly, relevant laws and regulations in the PRC applicable for the research, development, manufacturing, sales and distribution of pharmaceutical products, including but not limited to the laws and regulations on quality, safety, production, environmental protection, intellectual property and labour, shall be complied with. In addition, as a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, the Company is governed by the Companies Law of the Cayman Islands, as well as the Listing Rules and the Securities and Futures Ordinance.

During the year ended 31 December, 2020, to the best knowledge of the Board, the Group does not have any incidence of non-compliance with the relevant laws and regulations that would have a significant impact on the Group's business and operations.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Ms. Tse, Theresa Y Y
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin
Mr. Li Yi (appointed on 19 August 2020)
Mr. Wang Shanchun
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent non-executive directors:
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Mr. Li Kwok Tung Donald (appointed on 31 December 2020)

In accordance with Article 86 of the Articles, Mr. Li Yi and Mr. Li Kwok Tung Donald will hold office until the conclusion of the AGM and, being eligible, offer themselves for re-election at the AGM.

In accordance with Article 87 of the Articles, Mr. Tse Ping, Ms. Li Mingqin, Ms. Lu Hong, and Mr. Zhang Lu Fu will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to the independence guidelines under the Listing Rules and the Company considers such directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 49 to 55 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 39 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December, 2020, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

			Number of shares held, capacity and nature of interest			
Name of Director	Notes	Capacity/Nature of interest	Directly beneficially owned	Through controlled corporations	Total	Approximate percentage of the Company's issued share capital
Ms. Tse, Theresa Y Y	(1)	Beneficial owner	–	2,279,254,761	2,279,254,761	12.08%
Mr. Tse Ping	(2)	Beneficial owner	124,938,000	1,459,785,124	1,584,723,124	8.40%
Ms. Cheng Cheung Ling	(3)	Beneficial owner	203,654,750	675,000,000	878,654,750	4.66%
Mr. Tse, Eric S Y	(4)	Beneficial owner	–	4,050,000,000	4,050,000,000	21.47%
Mr. Tse Hsin		Beneficial owner	165,247,000	–	165,247,000	0.88%
Mr. Li Yi		Beneficial owner	230,000	–	230,000	0.00%
Mr. Li Kwok Tung Donald		Beneficial owner	70,000	–	70,000	0.00%

Notes:

(1) Ms. Tse, Theresa Y Y held 2,279,254,761 shares of the Company through France Investment (China 1) Group Limited, 91.33% of the issued share capital of which is owned by Ms. Tse, Theresa Y Y.

(2) Mr. Tse Ping held 1,459,785,124 shares of the Company through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.

(3) Ms. Cheng Cheung Ling held 675,000,000 shares of the Company through Chia Tai Bainian Holdings Limited, the entire issued share capital of which is owned by Ms. Cheng Cheung Ling.

(4) Mr. Tse, Eric S Y held 2,362,500,000 shares and 1,687,500,000 shares of the Company through Thousand Eagles Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Mr. Tse, Eric S Y.

Long position in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Hsin	CT Tianqing	Beneficial owner	229,250	0.18%
	NJCTT	Beneficial owner	26,583	0.53%

Saved as disclosed above, as at 31 December, 2020, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS WHO HAVE AN INTEREST AND/OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2020, the following persons (not being a Director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under to Section 336 of the SFO were as follows:

Long positions in shares and/or underlying shares

Name	Notes	Capacity/Nature of Interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Thousand Eagles Limited	(1)	Beneficial owner	2,362,500,000	12.53%
France Investment (China 1) Group Limited	(2)	Beneficial owner	2,279,254,761	12.08%
Remarkable Industries Limited	(1)	Beneficial owner	1,687,500,000	8.95%
Validated Profits Limited	(3)	Beneficial owner	1,459,785,124	7.74%

Notes:

(1) Each of Thousand Eagles Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Mr. Tse, Eric S Y.

(2) France Investment (China 1) Group Limited is an investment holding company owned as to 91.33% by Ms. Tse, Theresa Y Y.

(3) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping.

Save as disclosed above, as at 31 December, 2020, no person (not being a Director or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the heading "Directors' and Chief Executives' interests and short positions in share, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as set out in note 39 to the financial statements are fully-exempt from annual review and all disclosure requirements pursuant to Rule 14A.76(1) of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31 December, 2020.

On 9 April, 2019, the Company, as borrower, and certain financial institutions entered into a facility agreement (the "2019 Facility Agreement") in relation to a term loan facility in the aggregate principal amount of USD1,000,000,000 with a term of 36 months from the date of the Facility Agreement. Pursuant to the terms of the 2019 Facility Agreement, the Company has undertaken, among others, to ensure that certain shareholdings in the Company and control on the Board of the Company will be retained by Mr. Tse Ping, Ms. Cheng Cheung Ling, and Ms. Tse, Theresa Y Y, all being substantial shareholders and/or Directors of the Company, and their respective family members. Details of these performance covenants were disclosed in the announcement of the Company dated 10 April, 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December, 2020.

UNDERTAKING

Mr. Tse Ping ("Mr. Tse") has executed a deed of undertaking (the "Undertaking") in favour of the Company on 9 September, 2003 which has become effective upon the commencement of trading in shares of the Company on the Main Board of the Stock Exchange.

Pursuant to the Undertaking, Mr. Tse has undertaken to the Company that, conditional upon the commencement of trading in the shares of the Company on the Main Board, for so long as (i) Mr. Tse, together with his associates, shall remain beneficially interested, directly or indirectly, in shares with at least 30 per cent. of the voting rights of the Company (from time to time), and (ii) the shares shall remain traded on the Main Board, neither Mr. Tse nor any of Mr. Tse's Companies (excluding for this purpose the Group) will, within the Territory (as defined below), carry on, become engaged or otherwise become interested (saved through Mr. Tse's interest in the Company) directly or indirectly in, any business which falls within the Restricted Business (as defined below); and

For the purpose of the Undertaking:–

"Mr. Tse's Company(ies)" refers to any of the companies or other entities of which more than 50 per cent. of the issued shares or equity of other nature carrying voting rights are directly or indirectly owned by Mr. Tse or regarding which companies or entities Mr. Tse is entitled to control the board of directors or management body of similar nature;

"Restricted Business" refers to:–

(i) the R&D, production and sale of biopharmaceutical products for the medical treatment of ophthalmia and osteoarthritis, biopharmaceutical products for external use for the medical treatment of skin diseases, modernized Chinese medicines, chemical medicines and modern health-care products for the medical treatment of hepatitis and angiopathy of cardio-cerebral; and

(ii) the research and development of new medicines and modern health-care products for the medical treatment of cardiovascular and respiratory diseases.

"Territory" refers to the PRC (including Hong Kong).

The Undertaking does not apply to the followings:–

(i) the holding of shares or other securities issued by the Company or any of its subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which carries on, or is engaged or interested directly or indirectly in, any business which falls within the Restricted Business in the Territory, provided that such securities are listed on a stock exchange with regular trading and the total securities held by Mr. Tse and/or his associates do not amount to more than 20 per cent. of the issued shares or other securities of the company in question; and

(iii) the investment by Mr. Tse and/or Mr. Tse's Company in a business in the Territory which falls within the Restricted Business if the opportunity to invest in such business had been offered to and was either rejected by the Company or accepted in part by the Company on the basis of the investment in the balance being taken up by Mr. Tse or Mr. Tse's company, in either case in accordance with paragraph below.

In the event that Mr. Tse or any Mr. Tse's Company has identified an opportunity to invest (whether by way of the establishment of a new enterprise or the acquisition of existing interests in, or the injection of new capital into, an existing enterprise) in a business in the Territory which falls within the Restricted Business or any pharmaceutical related business in the Territory in which the Group is principally engaged from time to time (excluding any business in which Xian C.P. Pharmaceutical Co., Ltd. and/or Hainan Tigerlily Pharmaceutical Co., Ltd is/are engaged as at the date of the Undertaking) (the "Proposed Business"), Mr. Tse will undertake that he will procure that the said opportunity be first offered to the Company and that all relevant information relating to the Proposed Business in the possession of Mr. Tse and/or any Mr. Tse's Company shall be provided to the Company. The independent non-executive Directors shall have the right on behalf of the Company to determine whether the Group should:–

(i) reject the said opportunity in its entirety; or

(ii) accept the said opportunity in full and proceed with the participation in the Proposed Business; or

(iii) accept the said opportunity in part only on condition that, subject to compliance with any applicable requirements of the Listing Rules, Mr. Tse (including through a Mr. Tse's Company) takes up the balance of the investment upon terms approved by the independent non-executive Directors.

EMOLUMENT POLICY

Including the Directors, the Group had 24,108 employees as at 31 December, 2020. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes.

In order to properly reflect the public accountability and time and effort spent on the Board and various committees and meetings, the determination of emoluments of the directors of the Company has taken into consideration of their expertise and job specifications.

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group has complied with Rules 3.10 and 3.10(A) of the Listing Rules and has appointed sufficient number of INEDs including two with appropriate professional qualifications, or accounting or related financial management expertise. Biographies of the INEDs have been set out on pages 53 to 54 of this annual report.

AUDIT COMMITTEE

The Audit Committee is comprised of four INEDs, namely Mr. Lu Zhengfei as the chairman and Mr. Li Dakui, Ms. Lu Hong and Mr. Li Kwok Tung Donald as the members. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December, 2020.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in accordance with requirement of the Corporate Governance Code. Its primary duty is to make recommendations to the Board in formulating policies on remuneration packages of directors and senior management. The Remuneration Committee has three members comprising Mr. Zhang Lu Fu as the chairman and Mr. Lu Zhengfei and Ms. Lu Hong as the members.

NOMINATION COMMITTEE

The Company has established the Nomination Committee comprising Ms. Tse, Theresa Y Y as the chairwoman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong, Mr. Zhang Lu Fu and Mr. Li Kwok Tung Donald as the members with written terms of reference in accordance with the requirement of the Corporate Governance Code. Its primary duty is to formulate nomination polices for Board and recruitment polices of senior management.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Tse, Theresa Y Y
Chairwoman

Hong Kong
23 March, 2021

DIRECTORS

Executive Directors

Ms. Tse, Theresa Y Y (謝其潤女士), aged 28, is the chairwoman of the Board, an executive director, and the chairman of the executive board committee and the nomination committee, respectively, of the Company. Ms. Tse is also a director of CT Tianqing and the vice chairwoman of Beijing Tide. Ms. Tse was a member of the first and second board of directors of Beijing Chia Tai Charity Foundation and is currently a director of Karolinska Development AB (publ) (listed on NASDAQ Stockholm Exchange) and Sinovac Life Sciences Co., Ltd. She holds a Bachelor Degree of Science in Economics from the Wharton School of University of Pennsylvania. Throughout her coursework, she focused on the study of Finance and Healthcare. Previously, she worked in the investment, finance and business development departments of several companies. As a new generation business leader, Ms. Tse was recognised as one of the "Most Outstanding Business Women in China" by Forbes China online for two consecutive years in 2018 and 2019.

Ms. Tse is the daughter of Mr. Tse Ping and Ms. Cheng Cheung Ling, executive directors of the Company, the sister of Mr. Tse, Eric S Y, an executive director and a substantial shareholder of the Company, and a niece of Mr. Tse Hsin, an executive director of the Company.

Mr. Tse Ping (謝炳先生), aged 69, is the founding chairman of the Company and now serves as the senior vice chairman of the Board, an executive director, and a member of the executive board committee of the Company. Mr. Tse has more than 28 years of extensive experience in investment and management in the pharmaceutical industry in China. Mr. Tse is currently a director of CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, and CP Qingdao, and the president of Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. He is also a senior vice president of Chia Tai Group, the president of CP Pharmaceutical Group, and a director of Shanghai Fortune World Development Co., Ltd., Tianjin Chiatai Feed Tech Co., Ltd., SYN Energy Technology Co., Ltd., Chia Tai Oversea Chinese Realty Development Co., Ltd., and Karolinska Development AB (publ) (listed on NASDAQ Stockholm Exchange). Mr. Tse still serves as a director of Chia Tai Qingchunbao Pharmaceutical Co., Ltd. and a council member of the Association of Pharmaceutical Biotechnology of China.

Soon after the adoption of the open-up and reform policy by China, Mr. Tse started to develop his investment and business in China. He has been engaged in the pharmaceutical industry since 1991, having made equity investments in a dozen or so enterprises, and is one of the most successful overseas investors in the PRC pharmaceutical industry. Led by Mr. Tse, CP Pharmaceutical Group has developed to a large integrated life and healthcare enterprise, and its Hong Kong listed flagship Sino Biopharmaceutical Limited becomes a constituent of the Heng Seng Index, holding a leading position among pharmaceutical stocks in the market and owning a number of national key high-technology enterprises. Adhering to the concept of technology innovation and building upon R&D system based on originality as well as imitation, the Group strives to develop international level, high-end biological drugs and innovative drugs and to achieve breakthroughs in different areas including medical services, medical equipment, the greater health fields, and mergers and acquisitions, and becomes an innovation driven life and healthcare enterprise with its business encompassing the entire industry chain which spans from R&D to manufacture and sales of pharmaceutical products and covers management of chronic diseases and healthcare. Since incorporation, the Company continues to break its own record in terms of revenue and net profit, and was ranked one of the "Asia's Fab 50 Companies" by Forbes Asia for three consecutive years from 2016 to 2018 and was included in American Magazine Pharm Exec's "Top 50 Companies" for two consecutive years in 2019 and 2020.

As a recognition for his efforts in promoting the development of the pharmaceutical industry in China, Mr. Tse was awarded a number of honours, including the prize of "World Outstanding Chinese" and an honorary Doctor Degree by the University of West Alabama, United States of America in January, 2008, the "2007/2008 Asian Knowledge Management Association academician" granted by the Asian Knowledge Management Association in December, 2008, and the "The Top Ten Most Leading Innovative Persons of the PRC Enterprises in 2010" jointly granted by the PRC Productivity Society and the PRC Corporation Press in June, 2010.

Mr. Tse was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference. He is currently the executive vice chairman of the China Overseas Chinese Entrepreneurs Association and the Beijing Overseas Chinese Chamber of Commerce, respectively, and a distinguished professor of University for Peace, UPEACE.

Mr. Tse is the father of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company, and a first cousin of Mr. Tse Hsin, an executive director of the Company.

Ms. Cheng Cheung Ling (鄭翔玲女士), is one of the founders of the Company, and is currently the vice chairwoman of the Board, an executive director, and a member of the executive board committee of the Company. She is the chairwoman of Beijing Tide and CP Qingdao. Ms. Cheng was born in 1964, graduated from the Guanghua School of Management of Peking University and obtained a Master Degree in Business Administration. She is also a clinician. Having extensive experience in and a discerning vision for management and investment in the pharmaceutical industry, she spares no effort in promoting innovation, R&D capabilities and international collaboration in the industry. Being at the helm of Beijing Tide, Ms. Cheng advocates for innovations in R&D, production, sales, management, etc. and has led Beijing Tide to step up its efforts in developing international collaboration, aiming at promoting the rapid development of cutting-edge technologies for medical products in China. Under her leadership, Beijing Tide has achieved tremendous growth, riding on internationalization and innovation. Beijing Tide has become a leading company for the development, production and sales of targeted drugs in China, ranked 38th among the "2020 Top 100 Chinese Chemical Pharmaceutical Enterprises – Comprehensive Strength" as announced by the China ChemPharm Annual Summit 2020 and included in the list of "Top 100 Pharmaceutical Enterprises in China in 2019" by China National Pharmaceutical Industry Information Center.

Over the years, Ms. Cheng is committed to facilitating communication and trade between the Mainland and Hong Kong, and has done remarkable work for the purposes of promoting national cohesion and attracting investments in Hong Kong from the Mainland. She is also a devoted charity supporter, actively participating in and caring for community philanthropy. The distinguished community services provided by Ms. Cheng is well recognized by various domestic and overseas organisations. She has not only been appointed as a Justice of the Peace by the Government of Hong Kong SAR and but also awarded by a number of organizations honours such as "The 4th session of the Jinghua award of Beijing", "The 11th session of the Qindao award of Qingdao City", a "2020 Advanced Individual to Combat COVID-19 Pandemic", "A Pioneer in Pharmaceutical Industry in China" for 2019 and 2020, and one of the "Top 10 Leaders in Economy in China for 2019". Public offices held by Ms. Cheng include being the chairwoman of the Friendship Association of the Political Consultative Conference (Hong Kong Provincial Committee), a member of the Eighth, Ninth, Tenth, Eleventh and Twelfth Standing Committees of the Shaanxi Province Chinese People's Political Consultative Conference (and the convenor of its committee members in Hong Kong), the president of the council of Hong Kong Belt & Road General Chamber of Commerce, and the vice president of the China Female Entrepreneurs Association, etc.

She is the mother of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company.

Mr. Tse, Eric S Y (謝承潤先生), aged 25, is an executive director and a member of the executive board committee of the Company and the chairman of CT Tianqing. He holds a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania and a master degree in Management and Global Leadership from Schwarzman College, Tsinghua University. Before joining the Company in June, 2018, Mr. Tse, Eric S Y served as the chief executive officer of Liepin North America, a reputable human resources company. Mr. Tse, Eric S Y founded the Penn Wharton China Summit during his time at university, and established the China Summit Foundation at the end of 2016. Currently, he is a member of the 13th committee of All-China Youth Federation and a vice president of the 12th committee of Shanxi Province Youth Federation. He was awarded the "Top Ten Outstanding Chinese American Youth" in 2018 (the list of which was jointly selected by the All-America Chinese Youth Federation, the American Chinese Public Diplomacy Association, and the English "Los Angeles Post").

Mr. Tse, Eric S Y is the son of Mr. Tse Ping and Ms. Cheng Cheung Ling, executive directors of the Company, the brother of Ms. Tse, Theresa Y Y, an executive director and a substantial shareholder of the Company, and a nephew of Mr. Tse Hsin, an executive director of the Company.

Mr. Tse Hsin (謝炘先生), aged 51, is an executive director, a member of the executive board committee and a senior vice president of the Company. Mr. Tse Hsin is mainly responsible for mergers and acquisitions and financing activities of the Group and is also the Group's spokesman. Mr. Tse Hsin graduated from the University of Hong Kong with a Bachelor's Degree (Honors) in Industrial Engineering. He joined the Group in August, 1995 as an assistant to the president of the Company and had served as the general manager of Xian C.P. Pharmaceutical Co., Ltd. Mr. Tse Hsin was a council member of the first council and an executive council member of the second council of Chaozhou Natives Chamber of Commerce Beijing. He was also an executive member of the Right Protection Association for the Medical Treatment Equipment Enterprises of the Shaanxi Province, a vice chairman of the fourth council of the Foreign Invested Enterprises Association of the Shaanxi Province, an executive member of the third committee of the Shaanxi Cancer Fighting Association and a vice chairman of the World Chinese Medicine and Pharmaceutical Professional Joint Committee. He was awarded the "Outstanding Management Award for Foreign-invested Enterprises of Shaanxi Province" by the Shaanxi Provincial Government and the "Outstanding entrepreneur who cares about his staff" by the Shaanxi Foreign Invested Enterprises Association. He was a director of CT Tianqing and Beijing Tide, and is currently a director of NJCTT, CP Qingdao, CP Boai Investment Ltd., and Chia Tai Yeheng Biotech (Shanghai) Co., Ltd., a supervisor of CT Tianqing, and the chairman of Chia Tai Shaoyang Orthopedic Hospital.

He is an uncle of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company, and a first cousin of Mr. Tse Ping, an executive director of the Company.

Mr. Li Yi (李一先生), aged 59, is as an executive director, the Chief Executive Officer, and the President of the Company. Mr. Li has extensive management experience in listed companies and a vision of international corporate operations: Mr. Li joined J.P. Morgan China in October, 2014 as chairman and chief executive officer, overseeing the overall operations of the group's business in China and chairing its China management committee. He was appointed as the chairman of J.P. Morgan Chase Bank (China) Company Limited in April, 2015, and was promoted to vice chairman of Global Banking, J.P. Morgan in May, 2018, dedicated to improving the degree of internationalization of China capital market and the level of Chinese enterprises' involvement in international capital markets. In September, 2019, he assumed the role of chairman of J.P. Morgan Securities (China) Company Limited, which was the first newly established foreign controlled joint venture securities company in China. Before joining J.P. Morgan, Mr. Li served as the chairman and country head of UBS China, and the chairman of UBS Securities Co., Ltd. Under his leadership, UBS successfully established the first Sino-foreign fully licensed securities joint venture company in China, and built various China platforms such as securities, banking, wealth management, asset management and futures and options. From 2001 to 2005, Mr. Li was the managing director of China Merchants Holdings (International) Company Limited; during that period, the company's overall performance increased by approximately four times and the company was included in the Hang Seng Index in 2004.

In 2004, Mr. Li was selected as one of the "Most Outstanding Business Leaders in Asia" by CNBC Asia. In 2016, he became the only one in the industry named as the "Chinese Investment Banker in Ten Years" by China Business Network. In 2018, Mr. Li was granted the "Global Multinational Corporation Leaders Outstanding Contribution Award" by the China International Council for the Promotion of Multinational Corporations.

Mr. Li graduated from Wharton School of the University of Pennsylvania with an MBA degree. Before that, he graduated and holds a bachelor's degree in law from China University of Political Science and Law, as well as a bachelor's degree from Beijing Sport University. From 1976 to 1980, Mr. Li was a professional soccer player.

Mr. Wang Shanchun (王善春先生), aged 53, is the president of CT Tianqing. Mr. Wang graduated from Nanjing University of Chemistry in July, 1990 and joined CT Tianqing in the same year. He studied pharmaceutical engineering with Tianjin University from 1999 to 2002 and obtained a Master Degree. Mr. Wang has extensive management experience in the PRC pharmaceutical field. His design of the new production plant of CT Tianqing in Haizhou achieved a number of innovations in the country and obtained the first new edition national GMP certificate. He was awarded as a national model worker, a Jiangsu Province Technology Advanced Worker, a Jiangsu Province Model Labour, a winner of the Shanghai Technology Advancement First Honour Award, a Jiangsu Province Outstanding Entrepreneur, a Jiangsu Province Young and Middle-aged Expert with Outstanding Contribution, a Jiangsu Advanced Individual with Outstanding Contribution in Manufacture, and a National Distinguished Leader in Pharmaceutical Quality Management, granted the special government allowances of the State Council, and elected as a representative of the 13th People's Congress of Jiangsu Province.

Mr. Tian Zhoushan (田舟山先生), aged 57, joined the Group in April, 1997 and is responsible for the business of NJCTT. Mr. Tian is currently the general manager of NJCTT. Mr. Tian completed MBA coursework in Nanjing University. He was the head of production, the assistant to the president, and the vice president of CT Tianqing, and has over 30 years of experience in the pharmaceutical industry.

Ms. Li Mingqin (李名沁女士), aged 62, is currently a senior vice president of the Company and a director of Beijing Tide, Jiangsu CT Qingjiang, Shanghai Tongyong, Chia Tai Shaoyang Orthopedic Hospital, and CP Boai Investment Ltd., and is principally responsible for the investment affairs of the Group. Ms. Li graduated from the Faculty of Medicine of Beijing Chinese Medicine University with a Bachelor Degree in medicine. Prior to joining the Company, Ms. Li had worked in Sino-Japanese Friendly Hospital and Beijing Chinese Medicine University, engaged in teaching of medicines, development of new medicines and medicine management. During the period from 1992 to 1995, Ms. Li had been engaged in post-doctorate research in the Medicine School of University of Colorado, USA and the Medical College of the University of Massachusetts. Ms. Li joined the Group in March, 1997 and has 38 years of experience in the pharmaceutical industry.

Independent Non-Executive Directors

Mr. Lu Zhengfei (陸正飛先生), aged 57, is an independent non-executive director of the Company and is the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. He received a P.h.D. Degree in Economics (financial management). Mr. Lu is currently a Distinguished Professor of Chang Jiang Scholars and supervisor of doctoral students of the Guanghua School of Management of Peking University. He had previously held various senior positions in the Department of Accounting of both the Guanghua School of Management of Peking University and the Nanjing University. He is a standing council member of the China Accounting Association and the deputy director of its Financial Management Committee and was also an expert consultant of the China Financial Accounting Standards Board, Ministry of Finance. Mr. Lu is the editor of several accounting and finance journals and has issued various publications. He is an independent director of China Cinda Asset Management Co., Ltd. and an independent supervisor of PICC Property and Casualty Company Limited, both companies being listed on the Stock Exchange.

Mr. Li Dakui (李大魁先生), aged 77, joined the Company as an independent non-executive director and a member of the audit committee of the Company in September, 2004. He graduated from the Faculty of Pharmacy of Beijing Medical University (now known as the School of Pharmaceutical Sciences of Beijing University) in 1965, and obtained a Master Degree in Pharmaceutics from Peking Union Medical College ("PUMC") in 1982. He used to be the chief pharmacist of PUMC Hospital (retired in 2013) and the director of Pharmacy Department of PUMC Hospital for years. Mr. Li was a vice president of the Chinese Pharmaceutical Association, the Chairman of the Committee of Hospital Pharmacy Branch of Chinese Pharmaceutical Association and the vice chairman of the Chinese Practicing Pharmacist Association. He is currently an advisory member of the Chinese Pharmaceutical Committee and a vice president of the Beijing Pharmaceutical Association.

Ms. Lu Hong (魯紅女士), aged 51, joined the Company as an independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee of the Company in April, 2015. Ms. Lu has over 20 years of experience in accounting, financial management, company secretary and domestic and overseas capital operations fields. She is a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Lu has extensive knowledge of PRC and international accounting standards and the listing rules and regulations of both Hong Kong and PRC. She has been in charge of or involved in the entire process of the listing of multiple corporations in the PRC, Hong Kong, Singapore and the United States of America and quite a number of foreign and domestic investment and financing operations as well as mergers and acquisitions. She is familiar with financial analysis, budgeting, financial management and tax planning. She also has expertise in dealing with complex financing and taxation matters. Ms. Lu is an independent non-executive director of Xingye Alloy Materials Group Limited which is listed on the Stock Exchange.

Mr. Zhang Lu Fu (張魯夫先生), aged 64, joined the Company as an independent non-executive director and the chairman of the remuneration committee and a member of the nomination committee of the Company in April, 2015. Mr. Zhang holds a Master Degree in Philosophy from the Beijing Normal University, and is currently a research associate and a part-time professor. Mr. Zhang has been working for multiple sectors of the Chinese government since 1987, including the Hong Kong branch of the Xin Hua News Agency (now known as Liaison Office of the Central People's Government in Hong Kong). Mr. Zhang has worked for a number of Hong Kong listed companies and charitable organisations on full-time and part-time bases. Mr. Zhang is a council member of the China Overseas Friendship Association, a standing council member of the Guangdong Overseas Friendship Association, a standing council member of the Shenzhen Overseas Friendship Association, and a part-time professor of the Hong Kong Academy of Management, and was a member of the Shenzhen Committee of the 4th Chinese People's Political Consultative Conference. Mr. Zhang is an independent non-executive director of Kingboard Laminates Holdings Limited, which is listed on the Stock Exchange.

Dr. LI Kwok Tung Donald *(SBS, CStJ, JP)* (李國棟醫生), aged 66, joined the Company as an independent non-executive director and a member of the audit committee and nomination committee, respectively, of the Company in December, 2020. Dr. Li is a specialist in family medicine in private practice in Hong Kong. He is the president of the World Organisation of Family Physicians (WONCA), the past president of the Hong Kong Academy of Medicine and the censor of the Hong Kong College of Family Physicians. He was also the chairman of the governing board of Hong Kong Jockey Club Disaster Preparedness and Response Institute of the Hong Kong Academy of Medicine.

Dr. Li graduated with a bachelor of arts degree from Cornell University, USA, in 1975 and followed by his study in medicine, he obtained a bachelor of medicine from the University of Hong Kong in 1980. He is a fellow of The Hong Kong College of General Practitioners, fellow of the Hong Kong Academy of Medicine, honorary fellow of the Hong Kong College of Dental Surgeons, honorary fellow of the Royal Australian College of General Practitioners, honorary fellow of the Hong Kong College of Family Physicians, fellow of the Faculty of Public Health of the Royal College of Physicians of the United Kingdom, honorary fellow of the Academy of Family Physicians of Malaysia, registered Mainland China medical practitioner, fellow of the American College of Physicians, honorary fellow of the Royal College of Physicians of Thailand, fellow of the Academy of Medicine, Singapore, honorary fellow of the Royal College of Physicians of Ireland, and honorary fellow of the Royal College of General Practitioners.

Dr. Li is an honorary clinical professor in family medicine of the Chinese University of Hong Kong, honorary professor in the Faculty of Medicine of the University of Hong Kong, and the adjunct associate professor of the Faculty of Health Science of Macau University of Science and Technology. He is the chairman of the Action Committee Against Narcotics, the director of the Hong Kong St. John Ambulance Association, the chairman of the Hong Kong Sheng Kung Hui Welfare Council and the honorary steward of the Hong Kong Jockey Club. He is also the honorary adviser of The Hong Kong Award for Young People, the chairman of the Professional Committee on Medical Health of Belt and Road General Chamber of Commerce in Hong Kong, a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development and a member of the steering committee on Primary Healthcare Development of Food and Health Bureau in Hong Kong. Dr. Li is an independent non-executive director of C-MER Eye Care Holdings Limited, UMP Healthcare Holdings Limited, and New Horizon Health Limited, which are listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Ma Jiayin Jennie (馬佳音女士), aged 45, Group Chief Financial Officer, is responsible for financial matters of the Group. Ms. Ma obtained her MBA from Columbia Business School and Bachelor of Science from New York University Stern School of Business. She is a Certified Public Accountant and a CFA Charterholder. Prior to joining the Company in 2019, Ms. Ma worked for various large multinationals, accounting firms and financial institutions, with over 20 years of experience in accounting and financial management.

Ms. Li Qian (李倩女士), aged 41, is a vice president of the Company, a director of Chia Tai Shaoyang Orthopedic Hospital and Chia Tai Yeheng Biotech (Shanghai) Co., Ltd., and a supervisor of Jiangsu CT Qingjiang. She is mainly responsible for internal audit of the Group. Ms. Li graduated from Nankai University and obtained a Master degree in management. She is a Certified Public Accountant in China and a Certified Internal Auditor. Before joining the Group, she worked in Ernst & Young and Deloitte Touche Tohmatsu, engaged in audit & assurance. Ms. Li joined the Group in June, 2009 and has more than 15 years of experience in audit.

Mr. Chan Oi Nin Derek (陳凱年先生), aged 53, was appointed as company secretary of the Company in August, 2015. Mr. Chan has over 20 years of work experience in the fields of accounting, auditing and company secretary and, before joining the Company, was the company secretary of another company listed on the Stock Exchange. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan received a Bachelor of Science degree from the Chinese University of Hong Kong in 1989 and an MBA degree from Monash University in 1995.

Corporate Information

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE ADDRESS

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December, 2003

DATE OF LISTING ON GEM BOARD

29 September, 2000

DIRECTORS

Executive Directors

Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping *(Senior Vice Chairman)*
Ms. Cheng Cheung Ling *(Vice Chairwoman)*
Mr. Tse, Eric S Y
Mr. Tse Hsin
Mr. Li Yi *(Chief Executive Officer)*
Mr. Wang Shanchun
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent Non-executive Directors

Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Mr. Li Kwok Tung Donald

Executive Board Committee

Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin

AUDIT COMMITTEE

Mr. Lu Zhengfei *(Chairman)*
Mr. Li Dakui
Ms. Lu Hong
Mr. Li Kwok Tung Donald

REMUNERATION COMMITTEE

Mr. Zhang Lu Fu *(Chairman)*
Mr. Lu Zhengfei
Ms. Lu Hong

NOMINATION COMMITTEE

Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping
Mr. Lu Zhengfei
Ms. Lu Hong
Mr. Zhang Lu Fu
Mr. Li Kwok Tung Donald

COMPANY SECRETARY

Mr. Chan Oi Nin Derek

JOINT QUALIFIED ACCOUNTANTS

Ms. Jennie Ma, CFA, CPA
Ms. Yu Chau Ling, FCCA, CPA

AUTHORISED REPRESENTATIVES

Mr. Tse Ping
Mr. Chan Oi Nin Derek

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Agricultural Bank of China, Lianyungang Branch
No. 43 North Tong-guan Road, Xinpu
Lianyungang
Jiangsu Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 41st Floor, Office Tower
Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

30-31/F, Building 1A, G.T. International Center
Jia 3 Yongandongli, Jianguomenwai Avenue
Chaoyang District
Beijing
PRC

LEGAL ADVISERS

Sidley Austin
39/F, Two International Finance Centre
Central
Hong Kong

Navigator Law Office
Room 1118, Tower 2, Bright China Chang An Building
No.7, Jianguomennei Avenue, Dong Cheng District
Beijing
PRC

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit 01, 24th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

Independent Auditor's Report

To the shareholders of Sino Biopharmaceutical limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sino Biopharmaceutical Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 172, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs	
During the year ended 31 December 2020, research and development costs of RMB2,840 million were incurred, of which RMB214 million were capitalised into other intangible assets for the development of new pharmaceutical products. The expenditure on development activities was capitalised when all the criteria mentioned in note 2.4 *Summary of Significant Accounting Policies – Intangible assets (other than goodwill)* were satisfied. Significant management estimation and judgement were required in determining whether the capitalised costs met the capitalisation criteria. The Group's related disclosures are included in note 2.4 *Summary of Significant Accounting Policies – Intangible assets (other than goodwill)*, note 3 *Significant Accounting Judgements and Estimates-Estimation uncertainty* and note 17 Intangible Assets to the financial statements.	Our procedures in relation to capitalisation of development costs included: • Obtained an understanding of the Group's internal governance and approval process on capitalisation of development costs by interviewing a range of key management in charge of research, development and commerce. • Assessed the compliance of capitalisation criteria used by the Group with those mentioned in note 2.4 Summary of Significant Accounting Policies – Intangible assets (other than goodwill). • Evaluated management judgement on the differentiation between the research phase and the development phase by reading trial readouts and regulatory announcements, and comparing to industry practice. • Examined the expenditure documents which are individually accounted for development costs, such as internal commercial and technical feasibility reports.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement for Level 3 investments	
The Group made unlisted investments in a wide variety of companies. Those investments are accounted for as financial assets at fair value through profit or loss ("FVTPL") or designated as financial asset at fair value through other comprehensive income in accordance with HKFRS 9 "Financial Instruments". As at 31 December 2020, the fair values of these investments were RMB1,426 million and RMB3,865 million, respectively (2019: RMB1,088 million and nil, respectivley). The determination of the fair value of these unlisted investments involves significant judgement and estimates made by management. Therefore, we identified the fair value measurement for Level 3 investments as a key audit matter. The Group's related disclosures are included in note 2.4 Summary of Significant Accounting Policies – Investments and other financial assets, note 3 Significant Accounting Judgements and Estimates, note 19 Equity investments designated at Fair value through other comprehensive income, note 20 Financial assets at fair value through profit or loss and note 41 fair value and fair value hierarchy of financial instruments to the financial statements.	Our procedures in relation to the fair value measurement for Level 3 investments included: • Obtained an understanding of the key controls over the fair value measurements and evaluated the design and implementation of these controls. • Evaluated the objectivity, independence and competence of the external appraisers who assisted the management in assessing the fair value. • Evaluated the reasonableness in the key inputs in the valuation models by checking to the supporting documents. • Involved our internal valuation specialists to review the valuation methodologies and inputs adopted by the appraiser in certain Level 3 investments. • Evaluated the adequacy of disclosures of Level 3 fair value measurement.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

23 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
REVENUE	5	**23,647,224**	24,234,030
Cost of sales		**(5,182,320)**	(4,926,268)
Gross profit		**18,464,904**	19,307,762
Other income and gains	5	**1,241,223**	862,603
Selling and distribution costs		**(8,972,635)**	(9,319,541)
Administrative expenses		**(2,655,926)**	(2,477,418)
Other expenses		**(2,737,921)**	(2,564,249)
Including: Research and development costs		***(2,626,709)***	*(2,398,712)*
Finance costs	7	**(323,368)**	(229,950)
Share of profits and losses of associates		**(3,233)**	111,385
PROFIT BEFORE TAX	6	**5,013,044**	5,690,592
Income tax expense	10	**(672,377)**	(902,747)
PROFIT FOR THE YEAR		**4,340,667**	4,787,845
Attributable to:			
Owners of the parent		**2,771,086**	2,761,542
Non-controlling interests		**1,569,581**	2,026,303
		4,340,667	4,787,845
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**RMB14.74 cents**	RMB14.68 cents
Diluted		**RMB14.74 cents**	RMB14.68 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

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

Consolidated Statement of Financial Position

31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)	1 January 2019 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	6,870,288	6,379,337	5,344,604
Investment properties	14	308,559	563,395	367,664
Right-of-use assets	15a	1,521,916	1,253,886	1,292,516
Goodwill	16	88,926	88,926	88,926
Intangible assets	17	924,710	1,324,212	1,858,218
Investments in associates and a joint venture	18	5,050,637	808,443	326,329
Equity investments designated at fair value through other comprehensive income	19	1,991,107	1,211,084	743,280
Financial assets at fair value through profit or loss	20	3,865,074	–	–
Deferred tax assets	31	463,366	557,348	447,170
Prepayments and other asset	24	3,331,652	414,466	61,633
Total non-current assets		24,416,235	12,601,097	10,530,340
CURRENT ASSETS				
Inventories	22	1,880,051	1,658,597	1,209,160
Trade and bills receivables	23	2,914,077	2,712,209	2,924,045
Prepayments, other receivables and other assets	24	2,398,724	6,903,251	5,683,577
Amounts due from related companies	24	125,536	151,588	7,501
Equity investments designated at fair value through profit or loss	21	389,675	491,357	–
Financial assets at fair value through profit or loss	20	3,827,056	1,084,883	2,000,685
Cash and bank balances	25	11,259,084	11,911,210	6,676,042
Total current assets		22,794,203	24,913,095	18,501,010
CURRENT LIABILITIES				
Trade and bills payables	26	1,947,802	1,809,445	1,832,166
Tax payable		60,701	189,873	246,498
Other payables and accruals	27	7,353,512	5,433,879	4,684,382
Interest-bearing bank borrowings	28	1,552,825	666,749	2,905,575
Lease liabilities		28,699	23,079	33,959
Total current liabilities		10,943,539	8,123,025	9,702,580
NET CURRENT ASSETS		11,850,664	16,790,070	8,798,430
TOTAL ASSETS LESS CURRENT LIABILITIES		36,266,899	29,391,167	19,328,770

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)	1 January 2019 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,266,899**	29,391,167	19,328,770
NON-CURRENT LIABILITIES				
Convertible bonds – debt component	29	**5,441,324**	–	–
Convertible bonds – embedded derivative instrument	29	**439,188**	–	–
Deferred government grants	30	**608,201**	480,652	532,941
Interest-bearing bank borrowings	28	**6,922,115**	7,884,802	507,066
Lease liabilities	15b	**264,861**	41,270	47,792
Deferred tax liabilities	31	**171,652**	423,261	461,752
Total non-current liabilities		**13,847,341**	8,829,985	1,549,551
Net assets		**22,419,558**	20,561,182	17,779,219
EQUITY				
Equity attributable to owners of the parent				
Share capital	32	**415,895**	278,451	278,846
Treasury shares		**(469,944)**	(412,837)	(457,288)
Reserves	34	**16,801,209**	15,083,631	13,199,885
		16,747,160	14,949,245	13,021,443
Non-controlling interests		**5,672,398**	5,611,937	4,757,776
Total equity		**22,419,558**	20,561,182	17,779,219

Tse Ping
Director

Tse Hsin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Note	Attributable to owners of the parent												
		Share Capital RMB'000 (Note 32)	Share premium account RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Fair value reserve of financial assets at fair value through other compre-hensive income RMB'000	Contributed surplus RMB'000	Reserve funds RMB'000 (Note 33)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018		278,846	13,020,536	(457,288)	(371,473)	301,940	(14,741)	22,691	2,350,447	(378,576)	14,460,456	29,212,838	8,336,685	37,549,523
Effect of changes in accounting policies		–	–	–	(9,168,835)	(273,764)	–	–	–	(14,598)	(6,734,198)	(16,191,395)	(3,578,909)	(19,770,304)
At 1 January 2019 (restated)		278,846	13,020,536	(457,288)	(9,540,308)	28,176	(14,741)	22,691	2,350,447	(393,174)	7,726,258	13,021,443	4,757,776	17,779,219
Profit for the year		–	–	–	–	–	–	–	–	–	2,761,542	2,761,542	2,026,303	4,787,845
Other comprehensive income for the year:														
Fair value changes of financial assets		–	–	–	–	–	23,632	–	–	–	–	23,632	–	23,632
Exchange differences related to foreign operations		–	–	–	–	–	–	–	–	56,815	–	56,815	690	57,505
Exchange differences related to associates		–	–	–	2,429	–	–	–	–	3,260	–	5,689	–	5,689
Total comprehensive income for the year		–	–	–	2,429	–	23,632	–	–	60,075	2,761,542	2,847,678	2,026,993	4,874,671
Contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	28,339	28,339
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(1,201,171)	(1,201,171)
Repurchase of shares for cancellation		–	–	(32,048)	–	–	–	–	–	–	–	(32,048)	–	(32,048)
Cancellation of treasury shares		(395)	(76,104)	76,499	–	–	–	–	–	–	–	–	–	–
Final 2018 dividend declared	11	–	–	–	–	–	–	–	–	–	(221,957)	(221,957)	–	(221,957)
Interim 2019 dividend	11	–	–	–	–	–	–	–	–	–	(665,871)	(665,871)	–	(665,871)
Transfer from retained profits		–	–	–	–	–	–	–	715,814	–	(715,814)	–	–	–
At 31 December 2019		278,451	12,944,432*	(412,837)	(9,537,879)*	28,176*	8,891*	22,691*	3,066,261*	(333,099)*	8,884,158*	14,949,245	5,611,937	20,561,182

	Note	Attributable to owners of the parent												
		Share capital	Share premium account	Treasury shares	Capital reserve	Asset revaluation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Contributed surplus	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 32)							(Note 33)					
At 31 December 2019		278,451	12,944,432	(412,837)	(369,044)	333,651	8,891	22,691	3,066,261	(324,446)	15,563,608	31,111,658	9,172,910	40,284,568
Effect of adoption of HKFRS 16					(9,168,835)	(305,475)				(8,653)	(6,679,450)	(16,162,413)	(3,560,973)	(19,723,386)
At 1 January 2020 (restated)		278,451	12,944,432	(412,837)	(9,537,879)	28,176	8,891	22,691	3,066,261	(333,099)	8,884,158	14,949,245	5,611,937	20,561,182
Profit for the year		-	-	-	-	-	-	-	-	-	2,771,086	2,771,086	1,569,581	4,340,667
Other comprehensive income for the year:														
Fair value changes of financial assets		-	-	-	-	-	363,891	-	-	-	-	363,891	-	363,891
Exchange differences related to foreign operations		-	-	-	-	-	-	-	-	(75,728)	-	(75,728)	272	(75,456)
Exchange differences related to associates		-	-	-	(65)	-	-	-	-	52,979	-	52,914	-	52,914
Total comprehensive income for the year		-	-	-	(65)	-	363,891	-	-	(22,749)	2,771,086	3,112,163	1,569,853	4,682,016
Contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	18,172	18,172
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(1,527,564)	(1,527,564)
Repurchase of shares for cancellation		-	-	(138,266)	-	-	-	-	-	-	-	(138,266)	-	(138,266)
Repurchase of shares under share award scheme		-	-	(57,107)	-	-	-	-	-	-	-	(57,107)	-	(57,107)
Cancellation of treasury shares		(393)	(137,873)	138,266	-	-	-	-	-	-	-	-	-	-
Issue of bonus shares		137,837	(137,837)	-	-	-	-	-	-	-	-	-	-	-
Final 2019 dividend declared	11	-	-	-	-	-	-	-	-	-	(223,931)	(223,931)	-	(223,931)
Interim 2020 dividend	11	-	-	-	-	-	-	-	-	-	(894,944)	(894,944)	-	(894,944)
Transfer from retained profits		-	-	-	-	-	-	-	67,941	-	(67,941)	-	-	-
At 31 December 2020		415,895	12,668,722*	(469,944)	(9,537,944)*	28,176*	372,782*	22,691*	3,134,202*	(355,848)*	10,468,428*	16,747,160	5,672,398	22,419,558

* These reserve accounts comprise the consolidated reserves of approximately RMB16,801,209,000 (2019: approximately RMB15,083,631,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,013,044**	5,690,592
Adjustments for:			
Finance costs	7	**323,368**	229,950
Share of profits and losses of associates		**3,233**	(111,385)
Bank interest income	5	**(194,003)**	(245,359)
Interest income on convertible bonds	5	**–**	(12,350)
Investment income	5	**(321,747)**	(295,159)
Dividend income from equity investments at fair value through other comprehensive income	5	**(4,532)**	(3,888)
Depreciation of property, plant and equipment	13	**771,861**	550,053
Write-off of property, plant and equipment	13	**13,636**	5,956
Depreciation of investment properties	6	**44,684**	26,206
Depreciation of right-of-use assets	6,15	**74,800**	82,526
Amortisation of intangible assets	6,17	**763,491**	786,826
Loss on disposal of items of property, plant and equipment, net	6	**593**	14,785
Loss on disposal of equity investments designated at fair value through profit or loss		**–**	3,312
Gain on disposal of financial assets at fair value through profit or loss		**–**	(77,244)
Fair value (gain)/loss, net:			
Equity investments designated at fair value through profit or loss		**(19,978)**	9,232
Financial assets at fair value through profit or loss	5,6	**(9,273)**	(4,544)
Financial assets designated at fair value through profit or loss (non-current)		**(414,187)**	–
Derivative instruments-transactions not qualifying as hedges	6	**(88,009)**	–
Impairment of investment in an associate	6	**–**	6,500
Impairment of trade and bills receivables	6	**(3,082)**	15,527
Impairment of prepayments, deposits and other receivables and amounts due from related companies	6	**69,283**	38,003
		6,023,182	6,709,539
Decrease in inventories		**(221,454)**	(449,437)
(Increase)/decrease in trade and bills receivables		**(198,786)**	196,309
Increase in prepayments, other receivables and other assets		**(163,171)**	(203,414)
Increase/(decrease) in trade and bills payables		**206,497**	(90,915)
Increase in other payables and accruals		**510,695**	316,935
Increase/(decrease) in deferred government grants		**127,549**	(52,289)
Cash generated from operations		**6,284,512**	6,426,728
Profits tax paid		**(959,176)**	(1,102,094)
Net cash flows from operating activities		**5,325,336**	5,324,634

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Net cash flows from operating activities		**5,325,336**	5,324,634
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**194,003**	246,360
Investment income received		**304,739**	295,159
Dividends received from unlisted investments		**4,532**	3,888
Dividends received from associate		**4,112**	–
Purchases of items of property, plant and equipment		**(1,424,290)**	(1,449,485)
Purchases of equity investments designated at fair value through other comprehensive income		**(421,245)**	(468,921)
Proceeds from disposal of an equity investments designated at fair value through other comprehensive income		**–**	27,420
Net cash outflow for acquisition of a subsidiary		**–**	(219,303)
(Increase)/decrease in wealth management products recorded in financial assets at fair value through profit or loss/available-for-sale investments		**(2,732,900)**	591,689
Decrease/(increase) in wealth management products recorded in other receivables		**4,694,863**	(1,276,570)
Decrease/(increase) in equity investments designated at fair value through profit or loss		**121,660**	(310,326)
Proceeds from disposal of items of property, plant and equipment		**101,148**	63,094
Additions to intangible assets		**(363,989)**	(252,819)
Investment in associates and a joint venture		**(4,196,751)**	(172,363)
Loan to an associate		**(53,390)**	(62,061)
Increase in leasehold land		**(70,866)**	(31,659)
Investment in financial assets designated at fair value through profit or loss		**(1,802,291)**	–
Increase in other investing prepayments		**–**	(139,460)
Increase in time deposits with original maturity of more than three months		**(2,204,890)**	(838,987)
Proceeds from disposal of a subsidiary		**–**	170,000
Net cash flows used in investing activities		**(7,845,555)**	(3,824,344)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,537,764**	8,394,993
Proceeds from issue of convertible bonds		**5,673,420**	–
Issuance cost of convertible bonds		**(61,557)**	–
Repayment of bank loans		**(1,760,048)**	(3,196,025)
Dividends paid		**(1,187,015)**	(819,688)
Interest paid		**(215,307)**	(339,602)
Payment of Lease liabilities		**(49,303)**	(33,959)
Dividends paid to non-controlling shareholders		**(1,527,564)**	(1,201,171)
Repurchase of shares		**(195,373)**	(32,050)
Contribution from non-controlling shareholders		**18,171**	28,339
Net cash flows from financing activities		**2,233,188**	2,800,837
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(287,031)**	4,301,127
Cash and cash equivalents at beginning of year		**10,631,210**	6,235,029
Effect of foreign exchange rate changes, net		**280,015**	95,054
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,624,194**	10,631,210
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances, unrestricted	25	**6,596,500**	4,340,181
Time deposits with original maturity of less than three months when acquired	25	**4,027,694**	6,291,029
Cash and cash equivalents as stated in the statement of cash flows		**10,624,194**	10,631,210

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 2 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on The Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 September 2000. Upon approval by the Stock Exchange, the Company's shares were withdrawn from the GEM and were listed on the Main Board on 8 December 2003.

The head office and principal place of business of the Company in Hong Kong is located at Unit 9, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

During the year, the Group continued to be principally engaged in the research and development, production and sale of a series of modernised Chinese medicines and chemical medicines.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Champion First Investments Limited	British Virgin Islands/ Hong Kong	US$2	100	–	Investment holding
China Biotech & Drug Development Limited	Hong Kong	HK$100 Ordinary	–	51	Research and development of pharmaceutical products
Chia Tai-Tianqing Pharmaceutical Holdings Co., Ltd. ("CT Tianqing")	PRC*	RMB890,000,000	–	60	Development, manufacture and distribution of pharmaceutical products
Jiangsu Runji Investment Co., Ltd.	PRC**	RMB10,000,000	–	60	Investment holding
Magnificent Technology Limited	British Virgin Islands/ Hong Kong	US$500,000	–	60	Investment holding
Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT")	PRC*	RMB239,607,526	–	55.6	Development, manufacture and sale of pharmaceutical products
Lianyungang Runzhong Pharmaceutical Co., Ltd. ("LYG Runzhong")	PRC**	RMB103,528,805	–	60	Development, manufacture and sale of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lianyungang Chia Tai Tianqing Medicines Co., Ltd. ("LYG Tianqing")	PRC**	RMB50,000,000	–	60	Distribution of pharmaceutical products
Evon Industries Limited	Hong Kong	HK$2 Ordinary	100	–	Property holding
Fine Enterprise Investment Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Sino Biopharmaceutical (Tianjin) Co., Ltd.	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu Qingjiang")	PRC*	RMB168,193,296	–	55.588	Development, manufacture and sale of pharmaceutical products
Jiangsu Chia Tai Qingjiang Medicines Co., Ltd. ("Jiangsu Qingjiang Medicines")	PRC**	RMB5,000,000	–	55.588	Distribution of pharmaceutical products
Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu Fenghai")	PRC*	US$9,363,500	–	60.898	Development, manufacture and sale of pharmaceutical products
Jiangsu Chia Tai Fenghai Medicines Co., Ltd. ("Jiangsu Fenghai Medicines")	PRC**	RMB20,000,000	–	60.898	Distribution of pharmaceutical products
Nanjing Chia Tai Fenghai MedicinesTechnology Co., Ltd.	PRC**	RMB500,000	–	60.898	Distribution of pharmaceutical products
Chia Tai Wing Fuk Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Chia Tai Pharmaceutical (Qingdao) Co., Ltd. ("Qingdao Chai Tai")	PRC*	US$7,560,000	–	93	Development, manufacture and sale of pharmaceutical products
Qingdao Hang Seng Tang Pharmacy Co., Ltd.	PRC**	RMB1,250,000	–	93	Retail of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Qingdao Chia Tai Kangheng Medicines Co., Ltd.	PRC**	RMB5,000,000	–	93	Sale of pharmaceutical products
Talent Forward Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Sino Biopharmaceutical (Beijing) Limited ("SBBJ")	Hong Kong	HK$100 Ordinary	100	–	Investment holding
Chia Tai Pharmaceutical (Lianyungang) Company Limited ("CTP(LYG)")	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Lucky Symbol Holdings Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Ace Elite Investments Limited	Hong Kong	HK$10 Ordinary	–	100	Investment holding
Shanghai Tongyong Pharmaceutical Co., Ltd. ("Shanghai Tongyong")	PRC*	RMB69,330,000	–	81.79	Manufacture and sale of pharmaceutical products
Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. ("CTP Investment")	PRC***	US$118,500,000	100	–	Investment holding
Chia Tai Healthcare (Holding) Limited	Hong Kong	HK$100 Ordinary	100	–	Investment holding
Chia Tai Shaoyang Orthopaedic Hospital ("Shaoyang Hospital")	PRC*	RMB129,928,711	–	44.20	Orthopaedic outpatient and surgical procedures
Lianyungang Tianrun Pharmacy Ltd.	PRC**	RMB100,000	–	60	Retail of pharmaceutical products
Shanghai Tongzheng Import-Export Co., Ltd.	PRC**	RMB1,200,000	–	81.79	Distribution of pharmaceutical products
Suzhou Tianqing Xingwei Medicines Co., Ltd. ("Suzhou Xingwei")	PRC**	RMB30,000,000	–	33	Distribution of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Nanjing Shunxin Pharmaceutical Co., Ltd.	PRC**	RMB500,000,000	–	60	Manufacture and sale of pharmaceutical products
Tianjin Chia Tai Zhenwutang Food Co., Ltd. ("Tianjin Zhenwutang")	PRC*	RMB28,205,888	–	34.64	Manufacture and sale of health food
Zhejiang Tianqing Zhongwei Medicines Co., Ltd. ("Zhejiang Zhongwei")	PRC**	RMB30,000,000	–	33	Distribution of pharmaceutical products
Chia Tai Medicines Investment Ltd. ("CT Medicines Investment")	Hong Kong	HK$100 Ordinary	100	–	Investment holding
CP Boai Investment Ltd. ("Hong Kong Pacific")	Hong Kong	US$4,224,819	–	55	Investment holding
Beijing Fuxing Boai Vision Optical Centre Co., Ltd.	PRC**	RMB500,000	–	55	Optometry of optical glasses and sale of ophthalmic products
Zhengzhou Boai Ophthalmology Center Co., Ltd.	PRC*	RMB7,000,000	–	38.50	Ophthalmic examination and diagnosis
Jiangxi Boai Ophthalmology Center Co., Ltd.	PRC*	RMB1,000,000	–	38.50	Ophthalmic examination and diagnosis
Beijing Pacific Boai Medical Management Co., Ltd.	PRC*	US$2,520,000	–	55	Medical management consultancy services
Zhengzhou Puai Optical Sales Co., Ltd.	PRC**	RMB100,000	–	55	Optometry of optical glasses and sale of ophthalmic products
Linyi City People Hospital – Boai Ophthalmology Hospital	PRC**	RMB15,101,000	–	33	Ophthalmic prevention and diagnosis

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Linyi Boai Vision Optical Centre Co., Ltd.	PRC**	–	–	33	Optometry of optical glasses and sale of ophthalmic products
Zhengzhou Boai Otorhinolaryngology Hospital Co., Ltd.	PRC**	RMB3,000,000	–	55	Outpatient and surgical procedures
Zhengzhou Boai Vision Optical Co., Ltd.	PRC**	RMB100,000	–	55	Optometry of optical glasses and sale of glasses
Beijing Fuxing Boai Ophthalmology Centre	PRC*	RMB13,870,032	–	41.25	Ophthalmic diagnosis
Chia Tai Resources Limited ("CT Resources")	Hong Kong	HK$10 Ordinary	100	–	Investment holding
Jiangsu Chia Tai Health Technology Co., Ltd.	PRC**	RMB1,000,000	–	55.59	Manufacture and sale of pharmaceutical products
Qingdao Hang Seng Tang Pharmacy Co. Ltd. Clinic ("QDHST Clinic")	PRC**	RMB30,000	–	93	Hospital operation and sale of pharmaceutical products
Anhui Chia Tai Banlanhua Industry Co., Ltd. ("Anhui Banlanhua")	PRC**	RMB107,850,000	–	43.80	Distribution and retail of health food
Karolinska Development (Asia) Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Golden Sword Ventures Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Suzhou Suhang Pharmacy Co., Ltd.	PRC**	RMB100,000	–	33	Retail of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Champ Profit (China) Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Heroic Wise Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Lianyungang Tianqing Xinte Pharmacy Ltd.	PRC**	RMB100,000	–	60	Retail of pharmaceutical products
Nanjing Junxin Medicines Technology Co., Ltd.	PRC**	RMB500,000	–	60	Medical technology development
Chia Tai Tianqing Europe SL	Spain	EUR3,000	–	60	Health information consultancy services
Chia Tai Logistics Limited	Hong Kong	HK$10 Ordinary	100	–	Investment holding
Changshu Chia Tai Teda Logistics Development Co., Ltd.	PRC**	RMB302,000,000	–	75	Distribution of pharmaceutical products
Runan Pharmaceutical Co., Ltd.	PRC**	RMB500,000	–	55.59	Development, manufacture and sale of pharmaceutical products
France Investment (China I) Group Limited ("France Investment BVI")	British Virgin Islands/ Hong Kong	US$100	45	55	Investment holding
Super Demand Investments Limited ("Super Demand")	British Virgin Islands/ Hong Kong	US$100	100	–	Investment holding
Hangzhou Hangyi Pharmacy Co., Ltd.	PRC**	RMB100,000	–	33	Retail of pharmaceutical products
Chia Tai Yeheng Biotech (Shanghai) Co., Ltd. ("Yeheng")	PRC*	RMB100,000,000	–	70	Medical technology development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Tide Pharmaceutical Co., Ltd. ("Beijing Tide")	PRC*	RMB500,000,000	–	57.60	Development, manufacture and sale of pharmaceutical products
Tide Meilun Technology Development Co, Ltd.	PRC**	RMB20,000,000	–	57.60	Medical technology development
Beijing Tide Sunshine Investment Co., Ltd.	PRC**	RMB1,000,000	–	57.60	Investment holding
Hebei Dingtai Pharmaceutical Co., Ltd.	PRC**	RMB50,000,000	–	57.60	Development, manufacture and sale of pharmaceutical products
Beijing Kaditai Medical Co., Ltd.	PRC**	RMB10,000,000	–	57.60	Medical technology development
Beijing Limaisi Biotechnology Co., Ltd.	PRC**	RMB10,000,000	–	57.60	Medical technology development
Beijing Lipusen Biotechnology Co., Ltd.	PRC**	RMB10,000,000	–	57.60	Medical technology development
Beijing Keruntai Biotechnology Co., Ltd.	PRC**	RMB10,000,000	–	57.60	Research and development of pharmaceutical products
Zhengtai Logistics (Tianjin) Co., Ltd.	PRC**	RMB10,000,000	–	75	Distribution of pharmaceutical products
Pacific Fraternity (Beijing) Optometric Optical Accessories Co., Ltd.	PRC**	RMB1,000,000	–	55	Hospital and sale of pharmaceutical products
Pacific Fraternity (Beijing) International Medical Clinic Co., Ltd.	PRC**	RMB10,000,000	–	44	Comprehensive outpatient clinic

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Nanchang Zhenmu Trading Co., Ltd.	PRC**	RMB300,000	–	55	Trading of optical glasses
Nanjing Weikang Bio-Medical Co., Ltd.	PRC**	RMB20,000,000	–	55.60	Sales and medical consultation
Jiangsu Purun Bio-Medical Co., Ltd.	PRC**	RMB20,000,000	–	55.60	R&D and production of active pharmaceutical ingredient
Nanjing Chuangte Medical Technology Co., Ltd.	PRC**	RMB128,954,381	–	45.56	R&D and medical consultation
Hengzhi Bio-tech (Nanjing) Co., Ltd.	PRC**	RMB20,000,000	–	70	Bio-tech transfer and consultation
Chia Tai Ching Tak Co., Ltd.	Hong Kong	HK$100 Ordinary	100	–	Investment holding
Chia Tai Yushanfang Health Technology (Hangzhou) Co., Ltd.	PRC**	RMB1,000,000	–	100	Comprehensive health technology
China Eastern Development Limited	Hong Kong	HK$10,000 Ordinary	100	–	Property holding
Trillion Rise Limited [1]	Hong Kong	HK$1 Ordinary	100	–	Investment holding
C-Lab Investment Limited [2]	Hong Kong	HK$1 Ordinary	100	–	Investment holding
QYT Pharmacy Limited [3]	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Data Phoenix Limited [4]	British Vergin Islands/Hong Kong	US$1	100	–	Investment holding
Lucky Linkage Limited [5]	Hong Kong	HK$1 Ordinary	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Notes:

1 Trillion Rise Limited was newly established during the year ended 31 December 2020. The Company holds its equity interests directly.

2 C-Lab Investment Limited was newly established during the year ended 31 December 2020. The Company holds its equity interests directly.

3 QYT Pharmacy was newly established during the year ended 31 December 2020. The Company holds its equity interests directly.

4 Data Phoenix Limited was newly established during the year ended 31 December 2020. The Company holds its equity interests directly.

5 Lucky Linkage Limited was newly established during the year ended 31 December 2020. The Company holds its equity interests directly.

* These subsidiaries were registered as foreign-owned enterprises under PRC law.
** These subsidiaries were registered as limited liability companies under PRC law.
*** This subsidiary was registered as a wholly-foreign owned enterprise under PRC law.

2.1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment, equity investments designated at fair value through other comprehensive income/profit or loss, and financial assets at fair value through profit or loss which have been measured at fair value, as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs 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 HKFRS 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 HKFRS 9, HKAS 39 and HKFRS 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendment to HKFRS 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.

(e) Amendments to HKAS 1 and HKAS 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.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

The table below illustrates the measurement of property, plant and equipment under cost model as at 31 December 2019 and 1 January 2019.

	31 December 2019 Decrease RMB'000	1 January 2019 Decrease RMB'000
Assets		
Fixed assets	**519,512**	452,798
Tax assets	**23,596**	23,389
Total assets	**543,108**	476,187
Liabilities		
Deferred tax liabilities	**110,783**	95,561
Total liabilities	**110,783**	95,561
Equity		
Other reserves	**244,977**	215,877
Non-controlling interests	**187,348**	164,749
Total equity	**432,325**	380,626

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

	31 December 2019 Decrease RMB'000	1 January 2019 Decrease RMB'000
Assets		
Fixed assets	**14,879**	6,967
Right-of-use assets	**39,591**	48,450
Intangible assets	**6,379,431**	6,490,955
Goodwill	**13,808,050**	13,808,050
Total assets	**20,241,951**	20,354,422
Liabilities		
Deferred tax liabilities	**950,891**	964,745
Total liabilities	**950,891**	964,745
Equity		
Other reserves	**15,917,435**	15,975,518
Non-controlling interests	**3,373,625**	3,414,159
Total equity	**19,291,060**	19,389,677

	2019 Decrease/ (increasse) RMB'000
Amortization and depreciation	112,471
Income tax expense	(16,871)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform-Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts-Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and US dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- *HKFRS 16 Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures.

If an interests in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an interest in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities and business under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or business first came under the common control combination, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in the prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4%-5%
Leasehold improvements	5%-20%
Plant and machinery	5%-9%
Motor vehicles	9%-18%
Furniture and fixtures	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents factory buildings, plant and machinery and other assets under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, installation and testing during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 4 to 30 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Customer relationship

Customer relationship with finite useful lives is measured initially at cost and is amortised on the straight-line basis over the respective estimated useful lives of 4 to 10 years.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of not exceeding 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Properties	1 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature..

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss and other comprehensive income.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity investments) (continued)

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and other receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and other receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and convertible bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

The Company and the Group's subsidiaries which operate in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes (continued)

The employees of the Group's subsidiaries, which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute 20% to 23% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company is HK dollars, while the functional currency of the entities in Mainland China is RMB. The directors of the Company believe the consolidated financial statements of the Group presented in RMB will provide shareholders with a more accurate reflection of the Group's underlying financial performance and position because the Group's revenues, profits and cash flows are primarily generated in RMB and are expected to remain principally denominated in RMB in the future.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Recognition of deferred tax assets

The Group recognised deferred tax assets which resulted from the deductible temporary differences of subsidiaries. The Group recognised deferred tax assets to the extent that it is probable that the subsidiaries will have sufficient taxable profit relating to the same taxation authority and the same taxable entity against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets at 31 December 2020 was approximately RMB463,366,000 (2019: approximately RMB557,348,000). More details are given in Note 31.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was approximately RMB88,926,000 (2019: approximately RMB88,926,000). More details are given in Note 16.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in Note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2020, the best estimate of the carrying amount of capitalised development costs was approximately RMB699,363,000 (2019: approximately RMB503,150,000). More details are given in Note 17.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Assessment of useful lives of deferred development costs

In assessing the estimated useful lives of deferred development costs, the Group takes into account factors such as the expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of management.

Fair value of unlisted investments

The Group made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at FVTPL or designated as financial assets at fair value through other comprehensive income. The fair values of those investments are determined using valuation techniques and the Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in Note 41. At 31 December 2020, the fair values of these investments were approximately RMB1,991,107,000 and RMB3,865,074,000, respectively (2019: RMB1,211,084,000 and nil, respectively). Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

Management considers the business from a product/service perspective. The three reportable segments are as follows:

(a) the modernised Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of modernised Chinese medicine products and western medicine products;

(b) the investment segment is engaged in long term investments; and

(c) the “others” segment comprises, principally related healthcare and hospital business.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax.

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

	2020	2019
	RMB'000	RMB'000
		(Restated)
Hong Kong	**5,618,466**	1,579,943
Mainland China	**9,751,140**	9,004,023
Other countries/regions	**257,635**	216,314
	15,627,241	10,800,280

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Revenue from contracts with customers		
Sale of industrial products	**23,088,143**	23,658,749
Revenue from other sources	**559,081**	575,281
	23,647,224	24,234,030
Other income		
Bank interest income	**194,003**	245,359
Interest income on convertible bonds	**–**	12,350
Dividend income	**4,532**	3,888
Government grants*	**116,469**	235,464
Sale of materials	**89,258**	16,004
Investment income	**321,747**	295,159
Gross rental income	**6,946**	7,253
Others	**60,250**	41,679
	793,205	857,156
Gains		
Gain on disposal of items of property, plant and equipment	**4,580**	903
Fair value gains, net:		
Equity investments designated at fair value through profit or loss	**19,978**	–
Financial assets at fair value through profit or loss	**9,273**	4,544
Financial assets at fair value through profit or loss (non-current)	**414,187**	–
	448,018	5,447
Total other income and gains	**1,241,223**	862,603

* Various government grants have been received for setting up research activities in Mainland China. Government grants received for which related expenditure has not yet been undertaken are included in deferred government grants in the statement of financial position.

6. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Cost of inventories sold		**5,182,320**	4,926,268
Depreciation of property, plant and equipment	13	**771,861**	550,053
Depreciation of investment properties	14	**44,684**	26,206
Depreciation of right-of-use assets	15	**74,800**	82,526
Amortisation of intangible assets*	17	**763,491**	786,826
Research and development costs		**2,626,709**	2,398,712
Loss on disposal of items of property, plant and equipment		**593**	14,785
Share of profits and losses of associates		**3,233**	(111,385)
Bank interest income	5	**(194,003)**	(245,359)
Dividend income from equity investments at far value through other comprehensive income	5	**(4,532)**	(3,888)
Investment income	5	**(321,747)**	(295,159)
Fair value (gains)/losses, net:			
Equity investments designated at fair value through profit or loss	5	**(19,978)**	9,232
Financial assets at fair value through profit or loss	5	**(9,273)**	(4,544)
Financial assets at fair value through profit or loss (non-current)		**(414,187)**	–
Financial liabilities at fair value through profit or loss		**(88,009)**	–
Minimum lease payments under operating leases:			
Lease payments not included in the measurement of lease liabilities		**129,176**	111,335
Auditor's remuneration		**4,840**	4,840
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**2,975,323**	2,638,952
Pension scheme contributions		**589,024**	538,916
		3,564,347	3,177,868
Accrual of impairment losses of trade receivables	23	**(3,082)**	15,527
Impairment of investment in an associate**	18	**–**	6,500
Impairment of financial assets included in prepayments, other receivables and other assets, amounts due from related parties		**69,283**	38,003
Foreign exchange differences, net		**61,800**	59,983

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

** The impairment of an investment in an associate was included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank borrowings	**215,307**	227,424
Interest on convertible bonds	**101,511**	–
Interest on lease liabilities	**6,550**	2,526
	323,368	229,950

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	**1,377**	1,364
Other emoluments:		
Salaries, allowances and benefits in kind	**81,628**	46,682
Pension scheme contributions	**176**	197
Discretionary bonuses	**87,602**	68,724
	169,406	115,603
	170,783	116,968

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Mr. Lu Zhengfei	**352**	349
Mr. Li Dakui	**352**	349
Ms. Lu Hong	**320**	317
Mr. Zhang Lufu	**352**	349
Dr. Donald Li	**1**	–
	1,377	1,364

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

2020

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employee share option benefits RMB'000	Pension scheme benefits RMB'000	Total remuneration RMB'000
Executive directors:						
Ms. Tse, Theresa Y Y	–	12,719	17,789	–	18	30,526
Ms. Cheng Cheung Ling	–	13,875	17,789	–	18	31,682
Mr. Tse, Eric S Y	–	6,938	17,789	–	18	24,745
Mr. Tse Hsin	–	1,966	2,669	–	18	4,653
Mr. Li Yi, David	–	18,550	4,341	–	5	22,896
Mr. Wang Shanchun	–	7,716	–	–	17	7,733
Mr. Tian Zhoushan	–	1,935	–	–	82	2,017
Ms. Li Mingqin	–	585	542	–	–	1,127
	–	64,284	60,919	–	176	125,379
Chief executive:						
Mr. Tse Ping	–	17,344	26,683	–	–	44,027
	–	81,628	87,602	–	176	169,406

2019

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employee share option benefits RMB'000	Pension scheme benefits RMB'000	Total remuneration RMB'000
Executive directors:						
Ms. Tse, Theresa Y Y	–	11,461	13,224	–	16	24,701
Ms. Cheng Cheung Ling	–	10,315	17,632	–	16	27,963
Mr. Tse, Eric S Y	–	870	5,290	–	3	6,163
Mr. Tse Hsin	–	1,834	1,322	–	16	3,172
Mr. Wang Shanchun	–	5,524	–	–	53	5,577
Mr. Tian Zhoushan	–	2,340	–	–	93	2,433
Ms. Li Mingqin	–	585	400	–	–	985
	–	32,929	37,868	–	197	70,994
Chief executive:						
Mr. Tse Ping	–	13,753	30,856	–	–	44,609
	–	46,682	68,724	–	197	115,603

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year represented five (2019: five) directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020 RMB'000	2019 RMB'000 (Restated)
Current-Hong Kong	–	–
Current-Mainland China	830,003	1,045,471
Deferred tax (note 30)	(157,626)	(142,724)
Total tax charge for the year	672,377	902,747

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

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

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

In the year ended 31 December 2020, NJCTT, CT Tianqing, Beijing Tide, Jiangsu Fenghai, Jiangsu Qingjiang, Shanghai Tongyong, Qingdao Chai Tai and LYG Runzhong were entitled to a corporate income tax rate of 15% because they were qualified as "High and New Technology Enterprises".

Other than the above-mentioned entities, the entities located 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.

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

2020

	Mainland China RMB'000	Hong Kong RMB'000	Total RMB'000
Profit before tax	**4,866,716**	**146,328**	**5,013,044**
Tax at the statutory tax rate	**1,216,679**	**24,144**	**1,240,823**
Less: Preferential tax rate reduction	**(504,753)**	**–**	**(504,753)**
Income not subject to tax	**(12,756)**	**(70,969)**	**(83,725)**
Expenses not deductible for tax	**127,268**	**46,825**	**174,093**
Additional tax deduction for research and development expenses	**(286,610)**	**–**	**(286,610)**
Tax losses not recognised	**92,281**	**–**	**92,281**
	632,109	**–**	**632,109**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries			**40,268**
Tax charge at the Group's effective rate			**672,377**

2019

	Mainland China RMB'000 (Restated)	Hong Kong RMB'000	Total RMB'000 (Restated)
Profit before tax	5,759,668	(69,076)	5,690,592
Tax at the statutory tax rate	1,413,224	(11,398)	1,401,826
Less: Preferential tax rate reduction	(580,416)	–	(580,416)
Income not subject to tax	(21,157)	(58,374)	(79,531)
Expenses not deductible for tax	192,649	69,772	262,421
Additional tax deduction for research and development expenses	(314,042)	–	(314,042)
Tax losses not recognised	57,890	–	57,890
	748,148	–	748,148
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries			154,599
Tax charge at the Group's effective rate			902,747

11. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim – HK$0.060 (equivalent to RMB0.0534) (2019: HK$0.02 (equivalent to RMB0.048)) per ordinary share	**894,944**	665,871
Proposed final – HK$0.02 (equivalent to RMB0.0178) (2019: HK$0.02 (equivalent to RMB0.0173)) per ordinary share	**223,931**	221,957
	1,118,875	887,828

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020 (Restated):							
Cost	2,853,759	343	3,094,120	198,376	1,248,115	1,365,223	8,759,936
Accumulated depreciation	(551,259)	-	(1,053,618)	(128,480)	(647,242)	-	(2,380,599)
Net carrying amount	2,302,500	343	2,040,502	69,896	600,873	1,365,223	6,379,337
At 1 January 2020, net of accumulated depreciation	2,302,500	343	2,040,502	69,896	600,873	1,365,223	6,379,337
Additions	7,084	-	92,660	1,979	278,889	810,430	1,191,042
Depreciation provided during the year	(260,053)	-	(180,824)	(22,227)	(308,757)	-	(771,861)
Disposals	(24,000)	(217)	(68,257)	(2,550)	(6,717)	-	(101,741)
Transfer from construction in progress	612,568	-	344,582	-	217,042	(1,174,192)	-
Transfer from investment property	191,037	-	-	-	-	-	191,037
Transfer to expense	-	-	-	-	-	(13,636)	(13,636)
Exchange realignment	(590)	-	4	(53)	(3,251)	-	(3,890)
	2,828,546	126	2,228,667	47,045	778,079	987,825	6,870,288
At 31 December 2020:							
Cost	3,655,952	126	3,414,816	191,870	1,703,348	987,825	9,953,937
Accumulated depreciation	(827,406)	-	(1,186,149)	(144,825)	(925,269)	-	(3,083,649)
Net carrying amount	2,828,546	126	2,228,667	47,045	778,079	987,825	6,870,288

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2019

	Buildings RMB'000 (Restated)	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019 (Restated):							
Cost	2,077,060	8,145	2,409,385	207,605	805,213	1,658,020	7,165,428
Accumulated depreciation	(448,918)	(7,983)	(817,738)	(126,695)	(419,490)	–	(1,820,824)
Net carrying amount	1,628,142	162	1,591,647	80,910	385,723	1,658,020	5,344,604
At 1 January 2019, net of accumulated depreciation	1,628,142	162	1,591,647	80,910	385,723	1,658,020	5,344,604
Additions	–	343	210,281	20,026	190,142	1,246,806	1,667,598
Depreciation provided during the year	(106,313)	–	(267,668)	(28,583)	(147,489)	–	(550,053)
Disposals	–	(162)	(45,077)	(5,514)	(12,571)	(14,555)	(77,879)
Transfer from construction in progress	780,480	–	551,319	1,878	185,415	(1,519,092)	–
Transfer to Expense	–	–	–	–	–	(5,956)	(5,956)
Exchange realignment	191	–	–	1,179	(347)	–	1,023
	2,302,500	343	2,040,502	69,896	600,873	1,365,223	6,379,337
At 31 December 2019 (Restated):							
Cost	2,853,759	343	3,094,120	198,376	1,248,115	1,365,223	8,759,936
Accumulated depreciation	(551,259)	–	(1,053,618)	(128,480)	(647,242)	–	(2,380,599)
Net carrying amount	2,302,500	343	2,040,502	69,896	600,873	1,365,223	6,379,337

At 31 December 2020, certain of the Group's buildings with a net carrying amount of approximately RMB261,978,000 (2019: approximately RMB198,900,000) were pledged to secure general banking facilities granted to the Group (note 28).

14. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
At 1 January:		
Cost	**680,996**	457,199
Accumulated depreciation	**(117,601)**	(89,535)
Net carrying amount	**563,395**	367,664
At 1 January, net of accumulated depreciation	**563,395**	367,664
Acquisition of a subsidiary	**–**	220,315
Transfer to Property, plant and equipment	**(191,037)**	–
Depreciation provided during the year	**(44,684)**	(26,206)
Effect of foreign exchange rate changes, net	**(19,115)**	1,622
At 31 December, net of accumulated depreciation	**308,559**	563,395
At 31 December:		
Cost	**438,189**	680,996
Accumulated depreciation	**(129,630)**	(117,601)
Net carrying amount	**308,559**	563,395

The Group's investment properties consist of two commercial properties in Hong Kong (2019: three), which are held to earn rentals. The properties are measured initially and subsequently at cost. Depreciation commences on the day the transaction of purchase is completed and is calculated on the straight-line basis over 20 years.

The Group's investment properties as at 31 December 2020 were revalued as at that date by RHL Appraisal Ltd., independent professionally qualified external appraisal firms, at fair value of approximately RMB432,000,000 (2019: RMB566,780,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37 to the financial statements.

The properties with a net carrying amount of HK$366,404,000 (approximately equivalent to RMB308,551,000) (2019: HK$392,421,000 (approximately equivalent to RMB350,827,000)) have been mortgaged for bank loans as mentioned in note 28.

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties	–	–	432,000	432,000

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties	–	–	566,780	566,780

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2020	2019
Commercial properties	Market comparison method	Adjusted market price	RMB12,878-RMB20,115per square feet	RMB12,682-RMB53,896 per square feet

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of prepaid land lease payments and properties. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 8 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000 (Restated)	Properties RMB'000	Total RMB'000 (Restated)
As at 1 January 2019	1,259,215	81,751	1,340,966
Effect of changes in accounting policies	(48,450)	–	(48,450)
As at 1 January 2019	1,210,765	81,751	1,292,516
Additions	29,865	14,031	43,896
Depreciation charge	(49,373)	(33,153)	(82,526)
As at 1 January 2020	1,191,257	62,629	1,253,886
Additions	70,866	271,964	342,830
Depreciation charge	(28,138)	(46,662)	(74,800)
As at 31 December 2020	1,233,985	287,931	1,521,916

At 31 December 2020, Group's land with a net carrying amount of approximately RMB285,860,000 (2019: 280,272,000) were pledged to secure general banking facilities granted to the Group (note 28).

15. LEASES (continued)

The Group as a lessee (continued)

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 Lease liabilities RMB'000	2019 Lease liabilities RMB'000
Carrying amount at 1 January	**64,349**	81,751
New leases	**271,964**	14,031
Accretion of interest recognised during the year	**6,550**	2,526
Payments	**(49,303)**	(33,959)
Carrying amount at 31 December	**293,560**	64,349
Analysed into:		
Current portion	**28,699**	23,079
Non-current portion	**264,861**	41,270

The amounts recognised in profit or loss in relation to leases are as follows:

	2020 Lease liabilities RMB'000	2019 Lease liabilities RMB'000
Interest on lease liabilities	**6,550**	2,526
Depreciation charge of right-of-use assets	**74,800**	82,526
Expense relating to leases of short-term and low-value assets (included in administrative expenses)	**129,176**	111,335
Total amount recognised in profit or loss	**210,526**	196,387

16. GOODWILL

	2020 RMB'000	2019 RMB'000 (Restated)
Cost at 1 January, net of accumulated impairment	**88,926**	88,926
Cost and net carrying amount at 31 December	**88,926**	88,926
At 31 December:		
Cost	**88,926**	88,926
Accumulated impairment	**–**	–
Net carrying amount	**88,926**	88,926

Impairment testing of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The carrying amount of goodwill of the Group is related to twelve different cash-generating units ("CGUs"), namely Hong Kong Pacific, Zhejiang Zhongwei, Suzhou Xingwei, Shanghai Tongyong, Shaoyang Hospital, and seven other subsidiaries of the Group acquired in previous years.

The recoverable amounts of the goodwill attributable to the acquisition of equity interests in these CGUs have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a period ranging from five to nine years approved by senior management.

The recoverable amount of the goodwill attributable to the acquisition of equity interests in Beijing Tide has been determined based on fair value using cash flow projections based on financial budgets covering a nine-year period approved by senior management. The use of more than five years' projection is because of several drug candidates of Beijing Tide are expected to be commercialised by the fifth year of the projection. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

The discount rates applied to the cash flow projections ranged from 13% to 16.% (2019: 12% to 16%). The growth rate used to extrapolate the cash flows beyond the period is 3% (2019: 3%), which is based on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry.

16. GOODWILL (continued)

Impairment testing of goodwill (continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rate – The growth rate is based on industry growth forecasts.

Changes in selling prices and direct costs – These are based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rate and changes in selling prices and direct costs are consistent with external information sources. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of each CGU to exceed its recoverable amount.

17. INTANGIBLE ASSETS

31 December 2020

	Patents and licences RMB'000	Research and development costs RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Total RMB'000
Cost (Restated)					
At 1 January 2020	95,845	593,829	1,055,924	1,928,000	3,673,598
Addition	149,846	214,143	–	–	363,989
At 31 December 2020	245,691	807,972	1,055,924	1,928,000	4,037,587
Accumulated amortisation:					
At 1 January 2020	48,819	90,679	763,889	1,445,999	2,349,386
Provided during the year	10,621	17,930	252,939	482,001	763,491
At 31 December 2020	59,440	108,609	1,016,828	1,928,000	3,112,877
Net carrying amount	186,251	699,363	39,096	–	924,710

17. INTANGIBLE ASSETS (continued)

31 December 2019

	Patents and licences RMB'000	Research and development costs RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Total RMB'000
Cost (Restated)					
At 1 January 2019	95,845	341,010	1,055,924	1,928,000	3,420,779
Addition	–	252,819	–	–	252,819
At 31 December 2019	95,845	593,829	1,055,924	1,928,000	3,673,598
Accumulated amortisation:					
At 1 January 2019	37,893	49,719	598,410	876,538	1,562,560
Provided during the year	10,926	40,960	165,479	569,461	786,826
At 31 December 2019	48,819	90,679	763,889	1,445,999	2,349,386
Net carrying amount (Restated)	47,026	503,150	292,035	482,001	1,324,212

18. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Share of net assets	**1,781,036**	780,529
Goodwill on acquisition	**3,317,549**	75,862
	5,098,585	856,391
Provision for impairment	**(47,948)**	(47,948)
	5,050,637	808,443

18. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (continued)

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd. ("CTTQ-Akeso")	Ordinary shares	PRC Mainland China	50.00%	Medical R&D and relevant consultation
Sinovac Life Sciences Co., Ltd. ("Sinovac LS")	Ordinary shares	PRC/ Mainland China	15.03%	Vaccines research and Development
Quan Yuan Tang Co., Ltd. ("QYT")	Ordinary shares	PRC/ Mainland China	33.39%	Pharmacy

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

18. INVESTMENTS IN ASSOCIATES (Continued)

(i) CTTQ-Akeso

	2020 RMB'000	2019 RMB'000
Share of net assets	**246,860**	172,234

CTTQ-Akeso was established in the PRC on 30 August 2019 with 50% of equity owned by the Group. The Group considers that it exerts significant influence on CTTQ-Akeso as it owns 42.86% of the voting rights. Akeso Inc. is responsible for the research and development while the Group has the exclusive right to sell the project drugs in China.

In 2020, CT Tianqing and Akeso Inc. made additional capital injections to CTTQ-Akeso in the amounts of RMB344,725,000 in total and each of them paid RMB172,362,500. During the year ended 2020, CTTQ-Akeso incurred a loss of RMB195,472,000(2019: RMB257,000). After picking up the Group's share of loss, the carrying amount of the investment was RMB246,861,000.

The following table illustrates the summarised financial information of CTTQ-Akeso adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

	2020 RMB'000	2019 RMB'000
Current assets	**188,444**	344,554
Non-current assets	**386,538**	–
Current liabilities	**(81,262)**	(87)
Non-current liabilities	**–**	–
Net assets	**493,720**	344,467
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**50.00%**	50.00%
Group's share of net assets of the associate	**246,860**	172,234
Carrying amount of the investment	**246,860**	172,234
Revenue	**226**	–
Loss for the year	**(195,472)**	(257)
Total comprehensive loss for the year	**(195,472)**	(257)
Dividend received	**–**	–

18. INVESTMENTS IN ASSOCIATES (continued)

(ii) Sinovac Life Sciences

	2020 RMB'000
Share of net assets	669,893
Goodwill on acquisition	2,865,701
Share of net assets	3,535,594

The Group considers that it exerts significant influence on Sinovac Life Sciences as it had the power to appoint one out of five directors. Sinovac Life Sciences is mainly engaged in the research, development, manufacturing and sales of human vaccines.

The following table illustrates the summarised financial information of Sinovac Life Sciences adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

	2020 RMB'000
Current assets	7,287,400
Non-current assets	3,626,112
Current liabilities	(3,135,200)
Non-current liabilities	(455,571)
Net assets	7,322,741
Net assets, excluding goodwill	4,457,040
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	15.03%
Group's share of net assets of the associate excluding goodwill	669,893
Goodwill on acquisition (less accumulate impairment)	2,865,701
Carrying amount of the investment	3,535,594
Revenue	1,431,262
Profit for the year	983,507
Total comprehensive income for the year	983,507
Dividend received	–

18. INVESTMENTS IN ASSOCIATES (continued)

(iii) Quan Yuan Tang

	2020 RMB'000
Share of net assets	**49,605**
Goodwill on acquisition	**417,434**
Share of net assets	**467,039**

The Group considers that it exerts significant influence on Quan Yuan Tang as it owns 33.09% of the voting rights. Quan Yuan Tang focus on medical and pharmaceutical products sells based on chain retail channels and Internet platforms, and degenerative diseases and is accounted for using the equity method.

The following table illustrates the summarised financial information of Quan Yuan Tang adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

	2020 RMB'000
Current assets	**804,405**
Non-current assets	**579,349**
Current liabilities	**(528,255)**
Non-current liabilities	**(286,190)**
Minority Interests	**(3,314)**
Net assets	**565,995**
Net assets, excluding goodwill	**148,561**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	**33.39%**
Group's share of net assets of the associate excluding goodwill	**49,605**
Goodwill on acquisition (less accumulate impairment)	**417,434**
Carrying amount of the investment	**467,039**
Revenue	**212,951**
Profit for the year	**3,318**
Total comprehensive income for the year	**3,318**
Dividend received	**17,041**

18. INVESTMENTS IN ASSOCIATES (continued)

(iv) Others

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates' (loss)/profit for the year	**(54,427)**	111,513
Share of the associates' total comprehensive (loss)/profit	**(1,447)**	114,774
Aggregate carrying amount of the Group's interests in the associates	**801,144**	636,209

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**1,991,107**	1,211,084

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Current		
Wealth management products and trust funds	**3,827,056**	1,084,883
Non-current		
Other unlisted investments, at fair value	**3,865,074**	–

For wealth management products, the Group entered into the investment contracts with several PRC financial institutions with a floating return which will be paid together with the principal on the maturity date.

During the year ended 31 December 2020, the Group made an investment of RMB3,865,074,000 on convertible redeemable preferred shares and the Group has the right to require and demand the investee to redeem the shares held by the Group upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at fair value through profit or loss.

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Listed equity investments, at fair value	**389,675**	491,357

22. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**779,443**	638,879
Work in progress	**626,166**	499,747
Finished goods	**433,532**	503,825
Spare parts and consumables	**40,910**	16,146
	1,880,051	1,658,597

23. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**2,248,409**	2,063,232
Bills receivable	**690,082**	676,473
Impairment	**(24,414)**	(27,496)
	2,914,077	2,712,209

The fair value of bills receivable approximates to their carrying amount.

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 periods range from 60 days to 180 days. The Group seeks to maintain a strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

23. TRADE AND BILLS RECEIVABLES (continued)

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

	2020 RMB'000	2019 RMB'000
Current to 90 days	**2,289,584**	2,188,169
91 days to 180 days	**519,447**	440,407
Over 180 days	**105,046**	83,633
	2,914,077	2,712,209

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	**27,496**	11,969
Impairment losses recognised (note 6)	**(3,082)**	15,527
At end of year	**24,414**	27,496

Impairment under HKFRS 9 for the year ended 31 December 2020

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

23. TRADE AND BILLS RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 December 2020 (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Past due				
	Current	Less than 30 days	Between 31 and 90 days	Between 91 and 180 days	Over 180 days	Total
Expected credit loss rate	0.00%	0.00%	6.86%	9.09%	24.99%	0.83%
Gross carrying amount (RMB'000)	2,301,000	354,865	208,528	52,880	21,218	2,938,491
Expected credit losses (RMB'000)	–	–	14,304	4,807	5,303	24,414

As at 31 December 2019

		Past due				
	Current	Less than 30 days	Between 31 and 90 days	Between 91 and 180 days	Over 180 days	Total
Expected credit loss rate	0.00%	0.00%	17.94%	49.19%	80.04%	1.00%
Gross carrying amount (RMB'000)	2,319,171	331,331	64,586	12,298	12,319	2,739,705
Expected credit losses (RMB'000)	–	–	11,587	6,049	9,860	27,496

Financial assets that are derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB917,235,000 (2019: approximately RMB1,418,295,000). The Derecognised Bills had maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills shall have recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposures to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2020, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Current		
Prepayments	405,745	805,925
Other receivables	1,036,138	479,175
Investment in wealth management products	956,008	5,618,104
Prepaid expenses	833	47
	2,398,724	6,903,251
Non-current		
Prepayments	381,652	414,466
Investment in wealth management products	2,950,000	–
	3,331,652	414,466

The carrying amounts of other receivables, prepayments, investment in wealth management products and prepaid expenses approximate to their fair values due to their relatively short maturity terms.

For wealth management products, the Group entered into the investment contracts with several PRC financial institutions with a fixed return which will be paid together with the principal on the maturity date.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Cash and bank balances, unrestricted	6,596,500	4,340,181
Time deposits with original maturity of less than three months	4,027,694	6,291,029
Time deposits with original maturity of more than three months	634,890	1,280,000
Cash and bank balances	11,259,084	11,911,210

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to approximately RMB 5,104,443,000 (2019: approximately RMB4,684,837,000) in Mainland China. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. CASH AND BANK BALANCES (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. TRADE AND BILLS PAYABLES

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

	2020	2019
	RMB'000	RMB'000
Current to 90 days	**970,392**	1,219,488
91 days to 180 days	**717,441**	549,226
Over 180 days	**259,969**	40,731
	1,947,802	1,809,445

Trade and bills payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and bills payables approximate to their fair values due to their relatively short maturity terms.

27. OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	RMB'000
Accrued payroll and bonuses	**1,375,424**	1,267,137
Other payables	**2,960,899**	1,658,682
Accrued expenses	**2,555,037**	2,159,280
Staff welfare and bonus fund	**54,493**	4,782
Tax payable other than profits tax	**205,437**	129,364
Contract liabilities	**202,222**	214,634
	7,353,512	5,433,879

Other payables are non-interest-bearing and have an average term of three months. The carrying amounts of the other payables and accruals approximate to their fair values due to their relatively short maturity terms.

28. INTEREST-BEARING BANK BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease Liabilities (notes 15(b))						
Bank loans – unsecured (g)	2.05-4.01	2021	129,476	4.13-4.79	2020	10,631
Bank loans – secured (h)	4.65	2021	10,000			
Bank loans – secured (i)	LIBOR + 0.7	2021	591,172			
Bank loans – secured (j)	LIBOR + 0.7	2021	656,859			
Bank loans – secured (a)	3.92	2021	45,000	4.35	2020	35,000
Bills receivable discounted (b)	2.0-2.77	2021	99,476	3.0-3.8	2020	598,992
Current portion of long term						
bank loans – secured (c)	HIBOR+1.75	2021	10,736	HIBOR+1.75	2020	11,398
bank loans – secured (c)	HIBOR+1.25	2021	10,106	HIBOR+1.25	2020	10,728
			1,552,825			666,749
Non-current						
Lease Liabilities (notes 15(b))						
Bank loans – unsecured (e)	LIBOR+1.35	2022	5,863,696	LIBOR+2.06	2022	6,860,824
Bank loans – unsecured (d)	HIBOR+1.8	2022	652,648	HIBOR+1.8	2022	692,830
Bank loans – unsecured (g)	3.85-4.90	2023~2026	105,000	4.90	2023-2026	50,000
Bank loans – secured				4.90	2029	100,000
Bank loans – secured (f)	5.64	2029	150,258			
Bank loans – secured (c)	HIBOR+1.75	2030	94,031	HIBOR+1.75	2030	110,548
Bank loans – secured (c)	HIBOR+1.25	2022	56,482	HIBOR+1.25	2022	70,600
			6,922,115			7,884,802
			8,474,940			8,551,551

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,552,825	666,749
In the second year	6,572,826	22,126
In the third to fifth years, inclusive	95,000	7,692,076
Beyond five years	254,289	170,600
	8,474,940	8,551,551

28. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) At 31 December 2020, the Group's bank borrowings were secured by the Group's buildings with a carrying amount of approximately RMB261,978,000 (2019: approximately RMB198,900,000).

(b) As at 31 December 2020, bills receivable of an amount of approximately RMB99,476,000 were discounted at banks to obtain certain bank facilities of approximately RMB99,476,000 (2019: approximately RMB598,992,000).

(c) As at 31 December 2020, the Group's bank borrowings were secured by the Group's investment properties with a net carrying amount of HK$366,404,000 (approximately equivalent to RMB308,551,000) (2019:HK$392,421,000 (approximately equivalent to RMB350,827,000)).

(d) On 20 February 2019, the Company, as the borrower, entered into a three-year unsecured refinancing facility agreement with Bank of Communications Co., Ltd. Hong Kong Branch for a loan facility of HK$800,000,000 (approximately equivalent to RMB685,389,000) with an interest rate of HIBOR plus 1.80% per annum. As at 31 December 2020, the remaining carrying amount of the borrowing is HK$775,000,000 (approximately equivalent to RMB652,648,000) (2019: HK$775,000,000 (approximately equivalent to RMB692,830,000)).

(e) On 4 April 2019, the Company, as the borrower, entered into a three-year unsecured syndicated facility agreement with Bank of China Limited, Bank of Communications Co., Ltd. Hong Kong Branch, The Hong Kong and Shanghai Banking Corporation Limited, Hang Seng Bank, Limited, as the Mandated Lead Arrangers and Bookrunners. The principal is USD1,000,000,000. As at 31 December 2020, the Company has repaid USD100,000,000 with a remaining principal of USD900,000,000 (approximately equivalent to RMB5,863,696,000) (2019: USD1,000,000,000 (approximately equivalent to RMB6,860,824,000)) at an nominal interest of LIBOR plus 1.35% per annum ("Loan Facility"). The effective interest rate based on the LIBOR as at 31 December 2020 was 2.05% (2019: 3.06%).

(f) As at 5 March 2020, Changshu Chia Tai Teda Logistics Development Co., Ltd. ("Changshu Teda"), the subsidiary of the Company, as the borrower, entered into a nine-year facility agreement with Bank of Suzhou for a secured loan at an interest rate of 5.64% per annum for the purpose of construction payment. The loan is secured by Changshu Teda's real estate with a net value of RMB 517,341,000. As of 31 December 2020, the actual loan balance within the facility was RMB150,000,000.

(g) These bank loans were denominated in RMB.

(h) As at 17 March 2020, Anhui CP Banlanherb Health Industry Co., Ltd.(Anhui CP Banlanherb), the subsidiary of the Company, as the borrower, entered into a one-year facility agreement with Industrial and Commercial Bank of China for a secured loan at an interest rate of 4.65% for the purpose of purchasing raw materials. The loan is secured by Anhui CP Banlanherb's industrial premises and land with a net value of RMB20,038,000. As at 31 December 2020, the loan balance is RMB10,000,000.

(i) On 5 May 2020, the company, as the borrower, has entered an revolving loan facility agreement with HSBC. The interest rate is LIBOR plus 0.7% p.a. As at 31 December 2020, the remaining carrying amount of the borrowing is USD90,000,000 (approximately equivalent to RMB591,172,000).

(j) On 28 December 2020, the company, as the borrower, has entered an revolving loan facility agreement with BNP Paribas. The interest rate is LIBOR plus 0.7% p.a. As at 31 December 2020, the remaining carrying amount of the borrowing is USD100,000,000 (approximately equivalent to RMB656,859,000).

29. CONVERTIBLE BONDS

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

On 20 July 2020, the Company made an adjustment to the Conversion Price as a result of the Bonus Issue(note 32). The Conversion Price has been adjusted from HK$19.09 per Share to HK$12.72 per Share with effect from 25 July 2020. The maximum number of Conversion Shares that will be issued upon conversion of all the outstanding Bonds is adjusted from 338,380,041 Shares to 507,836,084 Shares, representing an increase of 169,456,043 Shares issuable under the Bonds.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option.

The convertible bonds comprise two components:

(a) was initially measured at fair value amounting to €680,291,000 (equivalent to RMB5,146,104,000). It is subsequently measured at amortized cost using the effective interest method after considering the effect of the transaction costs.

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which were initially measured at fair value amounting to €69,708,000 (equivalent to RMB527,315,000) and subsequently measured at fair value with changes in fair value recognized in profit or loss.

The total transaction costs of €8,137,000 (equivalent to RMB61,557,000) that are related to the issue of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	Debt component RMB'000	Embedded derivative components RMB'000	Total RMB'000
Issue of US$180,000,000 convertible bonds	**5,146,104**	**527,197**	**5,673,301**
Transaction costs	**(55,837)**	**–**	**(55,837)**
Exchange adjustments	**249,546**	**–**	**249,546**
Interest charged	**101,511**	**–**	**101,511**
Loss arising on changes of fair value	**–**	**(88,009)**	**(88,009)**
As at December 31, 2020	**5,441,324**	**439,188**	**5,880,512**

30. DEFERRED GOVERNMENT GRANTS

The Group's deferred government grants represented government grants received for projects and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed.

31. DEFERRED TAX

Deferred tax liabilities

2020

	Development costs RMB'000	Fair value adjustment of financial investment at fair value through profit or loss RMB'000	Withholding tax RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Acquisition RMB'000	Total RMB'000
At 1 January 2020 (Restated)	64,843	17,367	274,511	144,799	161,747	663,267
Deferred tax charged to the statement of profit or loss (note 10)	33,896	6,224	149,957	26,077	–	216,154
Realised during the year	(4,464)	(17,367)	(109,688)	(36,746)	(112,075)	(280,340)
Gross deferred tax liabilities at 31 December 2020	94,275	6,224	314,780	134,130	49,672	599,081

Deferred tax assets

2020

	Government grants RMB'000	Provision for receivables RMB'000	Accruals RMB'000	Elimination of profits on inventories RMB'000	Total RMB'000
At 1 January 2020 (Restated)	100,221	10,927	516,523	169,685	797,356
Deferred tax credited to the statement of profit or loss (note 10)	10,656	7,428	66,222	9,133	93,439
Gross deferred tax assets at 31 December 2020	110,877	18,355	582,745	178,818	890,795

31. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**463,366**
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(171,652)**
	291,714

Deferred tax liabilities

2019

	Development costs RMB'000	Fair value adjustment of financial investment at fair value through profit or loss RMB'000	Withholding tax RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Acquisition RMB'000	Total RMB'000
At 1 January 2019 (Restated)	42,154	20,643	212,704	101,176	273,822	650,499
Deferred tax charged/(credited) to the statement of profit or loss (note 10)	28,833	(3,276)	154,599	9,655	16,870	206,681
Realised during the year	(6,144)	–	(92,792)	33,968	(128,945)	(193,913)
Gross deferred tax liabilities at 31 December 2019 (Restated)	64,843	17,367	274,511	144,799	161,747	663,267

31. DEFERRED TAX (continued)

Deferred tax assets

2019

	Government grants RMB'000	Provision for receivables RMB'000	Accruals RMB'000	Elimination of profits on inventories RMB'000	Total RMB'000
At 1 January 2019 (Restated)	95,487	2,667	437,468	100,296	635,918
Deferred tax credited/(charged) to the statement of profit or loss (note 10)	4,734	8,260	79,055	69,389	161,438
Gross deferred tax assets at 31 December 2019 (Restated)	100,221	10,927	516,523	169,685	797,356

For presentation purposes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	557,348
Net deferred tax liabilities recognised in the consolidated statement of financial position	(423,261)
	134,087

The Group has tax losses arising in Hong Kong of approximately RMB204,034,000 (2019: approximately RMB182,401,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of accumulated tax losses of approximately RMB1,287,836,000 (2019: approximately RMB918,712,000) as they have occurred and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

32. SHARE CAPITAL

Shares

	2020 RMB'000	2019 RMB'000
Issued and fully paid: 18,861,499,230 ordinary shares of HK0.025 each (2019: 12,588,304,487 of HK0.025 each)	**415,895**	278,451

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	**12,606,800,487**	**278,846**
Shares cancelled	**(18,496,000)**	**(395)**
As 31 December 2019 and 1 January 2020	**12,588,304,487**	**278,451**
Bonus Share (Note (a))	**6,290,875,743**	**137,837**
Shares repurchased and cancelled (Note (b))	**(17,681,000)**	**(393)**
At 31 December 2020	**18,861,499,230**	**415,895**

Notes

(a) A bonus issue of one bonus share for every two existing shares held by member on the register of members on 20 July 2020 was made, resulting in the issue of 6,290,875,743 shares.

(b) In October and December 2020, the Company has repurchased 26,661,000 ordinary shares of HK$0.025 each on the Stock Exchange at a total consideration of approximately HK$221,930,000 (approximately RMB194,979,000 (excluding expenses). As at 31 December 2020, 17,681,000 ordinary shares have been cancelled.

33. SHARE OPTION SCHEME/SHARE AWARD SCHEME

Share option scheme

The Company operates a share option scheme (the "2013 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The 2013 Scheme became effective on 28 May 2013 upon the listing of the Company's shares on the Main Board, unless otherwise cancelled or amended, the 2013 Scheme remains in force for 10 years from that date.

The maximum number of shares which may be allotted to and issued upon the exercise of all outstanding share options granted and yet to be exercised under the 2013 Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the relevant class of shares of the Company in issue at any time.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with the maximum number of shares in respect of which options over shares or other securities may be granted by the Group under any other scheme shall not exceed 10% of the issued share capital as at the date of adoption of the 2013 Scheme.

The total number of shares issued and to be issued upon exercise of options granted under the 2013 Scheme and any other share option schemes of the Company to each participant, including cancelled, exercised and outstanding options, in any 12-month period up to the date of grant, shall not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of such limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. Where any grant of share options to a substantial shareholder of the Company or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2013 Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK$5 million, such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the share options granted to a substantial shareholder of the Company or any independent non-executive director, or any of their respective associates must be approved by the shareholders in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. A share option may be exercised in accordance with the terms of the 2013 Scheme at any time during a period to be determined on the date of offer of grant of a share option and notified by the directors to each grantee. The exercise period may commence once the offer of the grant is accepted by the grantee within the prescribed time from the date of its offer and shall end in any event not later than 10 years from the date grant of the share option. Unless otherwise determined by the directors and provided in the offer of grant of options to a grantee, there is no minimum period required under the 2013 Scheme for the holding of a share option before it can be exercised.

33. SHARE OPTION SCHEME SHARE AWARD SCHEME (continued)

Share option scheme (continued)

The exercise price of the shares under the 2013 Scheme shall be a price determined by the board of directors but shall not be less than the highest of (i) the closing price of the shares on the date of the offer of the grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to Clause 10 of the Rules of the 2013 Scheme regarding the alteration in the capital structure of the Company and the approval of the shareholders for the subdivision of the every issued and un-issued share of HK$0.10 into four shares of HK$0.025 each, the outstanding share options and the exercise price have been adjusted under the 2013 Scheme accordingly.

No share options have been granted under the 2013 Scheme since 28 May 2013.

Share award scheme

The Company operates a restricted share award scheme (the "2018 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, pursuant to which existing shares will be purchased by a trustee (the "Trustee") from the market out of cash contributed by the Group and be held on trust for the eligible participants until such shares are vested.

The 2018 Scheme became effective on 5 January 2018 and remains in force for 10 years from that date.

The maximum number of shares which the Trustee may purchase with funds contributed by the Group shall not exceed 3% of the total issued share capital of the Group as at the date of adoption of the 2018 Scheme. In addition, the maximum number of restricted shares which may be granted to a eligible participant at any time or in aggregate may not exceed 0.5% of the issued capital of the Company as at the date of adoption of the 2018 Scheme.

Pursuant to the 2018 Scheme, eligible participants include the directors and employees of the Company and any of its subsidiaries. Where any grant of the restricted shares is proposed to be made to a director (including the independent non-executive director), such grant must first be approved by all the independent non-executive directors and in each case excluding any independent non-executive director who is the proposed participant.

No shares have been granted under the 2018 Scheme since 5 January 2018.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the former group holding companies acquired pursuant to the group reorganisation as stated in the Company's prospectus dated 22 September 2000, and the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations for foreign investment enterprises incorporated under the Law of Mainland China on Joint Venture Using Chinese and Foreign Investment and the articles of association of the Group's Mainland China joint ventures, profits of the Group's Mainland China joint ventures as determined in accordance with the accounting rules and regulations in Mainland China are available for distribution in the form of cash dividends to the joint venture partners after the joint ventures have: (1) satisfied all tax liabilities; (2) provided for losses in previous years; and (3) made any required appropriations to the statutory reserve funds, including the general reserve fund, the enterprise expansion fund and the staff welfare and bonus fund. According to the articles of association of the respective Mainland China joint ventures of the Group, the appropriation to the statutory reserve funds is at the discretion of the boards of directors of the respective joint ventures. The basis of appropriation of the general reserve fund and the enterprise expansion fund is 5% of the statutory annual net profit after tax of the respective Mainland China joint ventures. The appropriation to the staff welfare and bonus fund is based on nil to 10% of the statutory annual net profit after tax of the respective Mainland China joint ventures and has been reclassified as an expense on consolidation as it is a liability to the employees.

The general reserve fund can be used either to offset accumulated losses or be capitalised as equity. The enterprise expansion fund can be used to expand the joint venture's production and operation, and subject to the approval of the relevant government authorities, can be utilised for increasing the capital of the joint venture. The staff welfare and bonus fund is recorded and reported as a current liability of the joint venture and can be utilised for making special bonuses or collective welfare to the employees of the joint venture.

The capital reserve is non-distributable and arose from the capitalisation of the statutory reserve funds as paid-up capital upon approval for increasing the registered capital of the Mainland China joint ventures.

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020 **RMB'000**	2019 RMB'000
Percentage of equity interests held by non-controlling interests:		
CT Tianqing	**40.0%**	40.0%
NJCTT	**44.4%**	44.4%
Beijing Tide	**42.4%**	42.4%
LYG Runzhong	**40.0%**	40.0%

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

	2020 RMB'000	2019 RMB'000
Profit for the year allocated to non-controlling interests:		
CT Tianqing	581,056	773,408
NJCTT	183,315	249,273
Beijing Tide (Restated)	(140,493)	135,526
LYG Runzhong	964,185	946,704
Accumulated balances of non-controlling interests at the reporting date:		
CT Tianqing	2,996,078	2,871,734
NJCTT	862,251	700,705
Beijing Tide (Restated)	1,388,059	1,682,678
LYG Runzhong	1,670,594	1,543,874

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2020	CT Tianqing RMB'000	NJCTT RMB'000	Beijing Tide RMB'000	LYG Runzhong RMB'000
Revenue	13,506,804	2,394,823	2,207,728	3,574,415
Total expenses	(9,972,729)	(1,981,952)	(2,539,079)	(1,163,952)
Profit/(loss) for the year	3,534,075	412,871	(331,351)	2,410,463
Total comprehensive income/(loss) for the year	3,534,075	412,871	(331,351)	2,410,463
Current assets	7,771,684	1,876,308	2,127,822	3,721,098
Non-current assets	3,986,510	1,019,164	1,985,843	1,131,873
Current liabilities	(3,992,225)	(953,140)	(635,486)	(609,615)
Non-current liabilities	(275,775)	(325)	(204,455)	(66,872)
Net cash flows from operating activities	1,543,894	119,743	527,441	2,269,072
Net cash flows from/(used in) investing activities	1,904,523	151,392	(116,271)	(188,532)
Net cash flows (used in)/from financing activities	(3,238,207)	(383)	(422,799)	(2,078,060)
Net increase/(decrease) in cash and cash equivalents	210,210	270,752	(11,629)	2,480

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2019	CT Tianqing RMB'000	NJCTT RMB'000	Beijing Tide RMB'000 (Restated)	LYG Runzhong RMB'000
Revenue	12,266,925	3,087,725	3,440,057	3,367,347
Total expenses	(8,338,068)	(2,526,300)	(3,120,420)	(1,000,586)
Profit for the year	3,928,857	561,425	319,637	2,366,761
Total comprehensive income for the year	3,938,102	577,291	319,637	2,369,186
Current assets	6,784,751	1,701,187	2,250,913	4,047,011
Non-current assets	3,406,356	1,046,001	2,636,063	941,802
Current liabilities	(2,862,997)	(1,165,925)	(424,535)	(1,093,394)
Non-current liabilities	(148,776)	(3,098)	(493,860)	(35,733)
Net cash flows from operating activities	1,986,730	186,884	745,813	1,768,712
Net cash flows from/(used in) investing activities	(635,132)	(316,018)	(175,347)	299,113
Net cash flows used in financing activities	(2,067,295)	(313,868)	(802,420)	–
Net increase/(decrease) in cash and cash equivalents	(715,697)	(443,002)	(231,954)	2,067,825

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB268,030,000 (2019: RMB1,253,886,000) and RMB278,514,000 (2019: RMB64,349,000), respectively, in respect of lease arrangements for plant and equipment.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2020	Borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2020	8,551,551	64,349	–	68,140	8,684,040
Changes from financing cash flows	(222,284)	(49,303)	5,611,863	(1,187,015)	4,153,261
Fair value loss	–	–	(88,009)	–	(88,009)
New leases	–	271,964	–	–	271,964
Foreign exchange movement	145,673	–	249,546	–	395,219
Interest expense	–	6,550	101,511	–	108,061
Transaction cost allocated to embedded derivative	–	–	5,601	–	5,601
Final 2019 dividend declared	–	–	–	223,931	223,931
Interim 2020 dividend	–	–	–	894,944	894,944
At 31 December 2020	8,474,940	293,560	5,880,512	–	14,649,012

2019	Borrowings RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2019	3,412,641	81,751	–	3,494,392
Changes from financing cash flows	5,198,968	(33,959)	(819,688)	4,345,321
Foreign exchange movement	(60,058)	–	–	(60,058)
New lease	–	14,031	–	14,031
Interest expense	–	2,526	–	2,526
Final 2018 dividend declared	–	–	221,957	221,957
Interim 2019 dividend	–	–	665,871	665,871
At 31 December 2019	8,551,551	64,349	68,140	8,684,040

(c) Total cash outflow for leases

	2020 RMB'000	2019 RMB'000
Within financing activities	(49,303)	(33,959)

37. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2020	2019
	RMB'000	RMB'000
Within one year	**5,176**	6,946
In the second to fifth years, inclusive	**–**	–
	5,176	6,946

38. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2020	2019
	RMB'000	RMB'000
Contracted, but not provided for:		
– Land, plant and machinery	**1,000,785**	650,748
– Capital investments	**203,605**	313,292
	1,204,390	964,040

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are RMB18,685,000. due within one year, RMB1,743,000 due in the second to fifth years, inclusive and RMB21,000 due after five years.

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2020 **RMB'000**	2019 RMB'000
Operating lease rentals payable to:		
– a company beneficially owned by one director (note (i))	**–**	8,892
Provision of consulting services to:		
– a company beneficially owned by connected persons (note (ii))	**4,532**	6,226

Notes:

(i) The lease rentals were based on the tenancy agreements entered into between the Group and the related party with reference to market prices.

(ii) The service fees were based on consulting agreements entered into between CTP Investment and CTOCRD with reference to market prices.

(b) Other transactions with related parties

In 2010, Validated Profits Limited ("Validated Profits"), which is wholly owned by Mr. Tse, Chia Tai Land Company Limited ("CT Land"), and some other investors entered into an agreement (the "Consortium Agreement") to form an investment consortium for the purpose of tendering a bid to the relevant governmental authorities in Beijing for the acquisition of a site located at Beijing Chaoyang District CBD and, subject to the bid being successful, to form a project company for the purpose of carrying out the development. On 6 December 2010, CTP Investment, a wholly-owned subsidiary, entered into (a) an investment agreement with Validated Profits whereby Validated Profits agreed to transfer to CTP Investment all of its investment rights and obligations under the Consortium Agreement in connection with 7.5% of the total investment to be contributed by the Investment Consortium with nil consideration, and (b) an investment agreement with CT Land whereby CTP Investment agreed to transfer to CT Land all of its investment rights and obligations under the Consortium Agreement in connection with 2.5% of the total investment to be contributed by the Investment Consortium with nil consideration. Details are set out in the Company's press announcement dated 6 December 2010. As at 31 December 2020, the Group's capital contribution was approximately RMB238,942,000 in relation to this investment with the fair value of this investment amounting to RMB238,942,000 (note 19) (2019: prepayment of approximately RMB238,942,000). During the year ended 31 December 2020, the project company CTOCRD was registered in the PRC with registered capital of RMB4,700,000,000. The Group, through CTP Investment, holds a 5% equity interest in CTOCRD.

39. RELATED PARTY TRANSACTIONS (continued)

(c) Loans due from associates

The Group has provided Karolinska Development AB, where the Group acts as the largest shareholder, with a bridge loan of SEK70,000,000 (amounting to SEK70,000,000) ending December 31, 2021 with an annual interest rate of 8.0%. Repayment by Karolinska Development AB can be made through cash payment and/or through set-off in connection with a new issue of B shares. In addition to the foresaid loans, the Group has provided loans to Jilin Chia Tai International Hospital and Jilin Chia Tai Bohua Hospital Co., Ltd., amounting to RMB60,000,000 with annual interest rates ranging from 4.35% to 9.6%.

(d) Key management personnel's remuneration

Remuneration of key management personnel of the Group (3 senior management executives for the year ended 31 December 2020 and 50 senior management executives for the year ended 31 December 2019), including amounts paid to the directors (9 executive directors for the year ended 31 December 2020 and 8 executive directors for the year ended 31 December 2019) as disclosed in note 8 to the financial statements, is as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other short-term employee benefits	175,100	222,338
Pension scheme contributions	241	1,454
	175,341	223,792

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2020

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	389,675	–	–	–	–	389,675
Financial assets at fair value through profit or loss	3,827,056	3,865,074	–	–	–	7,692,130
Equity investments designated at fair value through other comprehensive income	–	–	–	1,991,107	–	1,991,107
Trade receivables	–	–	–	–	2,223,995	2,223,995
Bills receivable	–	–	690,082	–	–	690,082
Financial assets included in prepayments, other receivables and other assets (note 24)	–	–	–	–	3,906,008	3,906,008
Amounts due from reelated companies	–	–	–	–	125,536	125,536
Cash and bank balances	–	–	–	–	11,259,084	11,259,084
	4,216,731	3,865,074	690,082	1,991,107	17,514,623	28,277,617

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets (continued)

2019

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	491,357	–	–	–	–	491,357
Financial assets at fair value through profit or loss	1,084,883	–	–	–	–	1,084,883
Equity investments designated at fair value through other comprehensive income	–	–	–	1,211,084	–	1,211,084
Trade receivables	–	–	–	–	2,035,736	2,035,736
Bills receivable	–	–	676,473	–	–	676,473
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	5,618,104	5,618,104
Amounts due from related companies	–	–	–	–	151,588	151,588
Cash and bank balances	–	–	–	–	11,911,210	11,911,210
	1,576,240	–	676,473	1,211,084	19,716,638	23,180,435

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial liabilities

2020

	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade payables	–	1,947,802	1,947,802
Financial liabilities included in other payables and accruals	–	2,957,419	2,957,419
Interest-bearing bank borrowings	–	8,474,940	8,474,940
Convertible bonds – debt component	–	5,441,324	5,441,324
Convertible bonds – embedded derivative instruments	439,188	–	439,188
Lease liabilities	–	293,560	293,560
	439,188	19,115,045	19,554,233

2019

	Financial assets at amortised cost RMB'000	Total RMB'000
Trade payables	1,809,445	1,809,445
Financial liabilities included in other payables and accruals	1,655,200	1,655,200
Interest-bearing bank borrowings	8,551,551	8,551,551
Lease liabilities	64,349	64,349
	12,080,545	12,080,545

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through profit or loss	**389,675**	491,357	**389,675**	491,357
Financial assets at fair value though profit or loss (non-current)	**3,865,074**	–	**3,865,074**	–
Financial assets at fair value through profit or loss	**3,827,056**	1,084,883	**3,827,056**	1,084,883
Equity investments designated at fair value through other comprehensive income	**1,991,107**	1,211,084	**1,991,107**	1,211,084
Bill receivables	**690,082**	676,473	**690,082**	676,473
	10,762,994	3,463,797	**10,762,994**	3,463,797
Financial liabilities				
Interest-bearing bank borrowings	**8,474,940**	8,551,551	**8,474,940**	8,551,551
Convertible bonds-debt component	**5,441,324**	–	**5,441,324**	–
Convertible bonds-Embedded derivative components	**439,188**	–	**439,188**	–
	14,355,452	8,551,551	**14,355,452**	8,551,551

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade and bills receivable, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and dividend due from an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2020

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	**389,675**	**–**	**–**	**389,675**
Financial assets at fair value though profit or loss (non-current)	**–**	**–**	**3,865,074**	**3,865,074**
Financial assets at fair value through profit or loss	**–**	**3,827,056**	**–**	**3,827,056**
Bill receivables	**–**	**690,082**	**–**	**690,082**
Equity investments at fair value through other comprehensive income	**564,647**	**–**	**1,426,460**	**1,991,107**

As at 31 December 2019

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	491,357	–	–	491,357
Financial assets at fair value through profit or loss	–	1,084,883	–	1,084,883
Bill receivables	–	676,473	–	676,473
Equity investments at fair value through other comprehensive income	123,008	–	1,088,076	1,211,084

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value

As at 31 December 2020

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Convertible bonds	–	–	439,188	439,188

The Group did not have any financial liabilities measured at fair values as at 31 December 2019.

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of the listed equity investments are based on quoted market price.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, the instrument is included in level 2.

The fair value of the convertible bonds – debt component is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

(c) *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The investments in level 3 included unlisted investments and the embedded derivative component of convertible bonds.

The fair values of unlisted equity investments designated at fair value through other comprehensive income and unlisted investment (non-current) at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of the derivative component of convertible bonds has been estimated using the binominal option pricing model.

The recurring fair value measurement for the Group's financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income was performed using significant unobservable inputs (Level 3) as at 31 December 2020. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation techniques	Significant unobservable inputs	Sensitivity of fair value to the input
Financial assets			
Unlisted equity investments designated at fair value through other comprehensive income and unlisted investment (non current) at fair value through profit or loss	Valuation multiples	Average P/B or P/E multiple of peers	Increase in multiples would result in increase in fair value (2019: Increase)
Financial liabilities			
Convertible bonds – Embedded derivative component	Binominal option pricing model	Expected volatility	Increase in multiples would result in increase in fair value (2019: Increase)
		Risk-free rate	

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

(c) Financial instruments in level 3 (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	8,474,940	–	8,474,940
Convertible bonds	–	–	5,441,324	5,441,324

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	8,551,551	–	8,551,551

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in HK dollars and US dollars interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000	(Decrease)/ increase in equity RMB'000
2020			
HK$-denominated borrowings	**50**	**(4,120)**	**(4,120)**
US$-denominated borrowings	**50**	**(35,357)**	**(35,357)**
HK$-denominated borrowings	**(50)**	**4,120**	**4,120**
US$-denominated borrowings	**(50)**	**35,357**	**35,357**
2019			
HK$-denominated borrowings	50	(4,481)	(4,481)
US$-denominated borrowings	50	(34,304)	(34,304)
HK$-denominated borrowings	(50)	4,481	4,481
US$-denominated borrowings	(50)	34,304	34,304

Foreign currency risk

Foreign exchange risk arises from the change in foreign exchange rates that may have an adverse effect on the Group in the current reporting year and in the future years. Most of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. In Mainland China, foreign investment enterprises are authorised to convert Renminbi to foreign currencies in respect of the current account items (including payment of dividend and profit to a foreign joint venture partner).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's equity (due to changes in the fair value of monetary assets and liabilities):

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2020			
If Renminbi weakens against the Hong Kong dollar	**5**	**22,910**	**19,130**
If Renminbi strengthens against the Hong Kong dollar	**(5)**	**(22,910)**	**(19,130)**
If Renminbi weakens against the United States dollar	**5**	**177,834**	**148,491**
If Renminbi strengthens against the United States dollar	**(5)**	**(177,834)**	**(148,491)**
If Renminbi weakens against the EURO	**5**	**104,237**	**87,038**
If Renminbi strengthens against the EURO	**(5)**	**(104,237)**	**(87,038)**
2019			
If Renminbi weakens against the Hong Kong dollar	5	16,578	13,843
If Renminbi strengthens against the Hong Kong dollar	(5)	(16,578)	(13,843)
If Renminbi weakens against the United States dollar	5	344,076	287,303
If Renminbi strengthens against the United States dollar	(5)	(344,076)	(287,303)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's liquidity remained strong as at the end of the reporting period. During the year, the Group's primary source of funds was cash derived from operating activities and investment income. The directors consider that the Group's exposure to liquidity risk is not significant.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2020

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	1,947,802	–	–	–	–	1,947,802
Other payables	2,957,419	–	–	–	–	2,957,419
Convertible bonds -debt component	–	–	–	5,673,301	–	5,673,301
Lease liabilities	–	12,427	30,417	153,424	163,793	360,061
Interest-bearing bank borrowings*	99,476	41,114	1,580,921	6,796,304	251,055	8,768,870
	5,004,697	53,541	1,611,338	12,623,029	414,848	19,707,453

2019

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	1,809,445	–	–	–	–	1,809,445
Other payables	1,655,200	–	–	–	–	1,655,200
Lease liabilities	–	7,320	18,494	38,944	17,197	81,955
Interest-bearing bank borrowings*	598,992	76,044	253,266	8,291,224	–	9,219,526
	4,063,637	83,364	271,760	8,330,168	17,197	12,766,126

* The calculation of expected interest to be paid is based on borrowings as at 31 December 2020 and 2019 and the interest rates as at 31 December 2020 and 2019.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as equity investments designated at fair value through profit or loss (note 21) and equity investments at fair value through other comprehensive income (note 19) as at 31 December 2020. The Group's listed investments are listed on the Hong Kong Stock Exchange and New York Stock Exchange, and the investments were valued at quoted market prices at the end of the reporting period. The Group is also exposed to equity price risk arising from changes in the price of the Company's own shares to the extent that the Company's own equity investments underlie the fair values of the derivatives. As at the end of the reporting period, the Group was exposed to this risk through the conversion rights attached to the convertible bonds (note 29) issued by the Company.

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2020			
Investments listed in			
Hong Kong – Financial assets at fair value through profit or loss	**360,150**	**3,602/(3,602)**	**3,602/(3,602)**
US – Financial assets at fair value through profit or loss	**29,525**	**295/(295)**	**295/(295)**
Hong Kong – Equity investments designated at fair value through other comprehensive income	**564,647**	**5,646/(5,646)**	**5,646/(5,646)**
2019			
Investments listed in			
Hong Kong – Financial assets at fair value through profit or loss	476,891	4,769/(4,769)	4,769/(4,769)
US – Financial assets at fair value through profit or loss	14,465	145/(145)	145/(145)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's abilities to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group funds its operations principally via its capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

43. EVENTS AFTER THE REPORTING PERIOD

(a) On 22 March 2021, C-Lab International Limited, a wholly-owned subsidiary of the Company, entered into an agreement in relation to the acquisition of a 100% equity interest (the "Acquisition") of SOFTHALE NV for US$110 million and additional payments related to regulatory and commercial milestones.

Because the acquisition of SOFTHALE NV was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

(b) On 3 February 2021, the Company has approved a preliminary proposal for the possible listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange (the "Sci-Tech Board"). The Proposed Domestic Issue shall be conditional upon and subject to market conditions, the approval of the Shareholders at the general meeting of the Company and the necessary Regulatory Approvals. Management presents The Proposed Domestic Issue is accordance to plan.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**13,075**	3,834
Investment properties	**308,559**	350,815
Right-of-use assets	**220,805**	–
Other intangible assets	**65,925**	–
Investments in subsidiaries	**15,234,266**	15,234,266
Interests in associates	**203,893**	66,090
Equity investments designated at fair value through other comprehensive income	**1,089,496**	505,137
Long term prepayment	**131,372**	139,460
Total non-current assets	**17,267,391**	16,299,602
CURRENT ASSETS		
Due from subsidiaries	**6,993,097**	1,354,222
Prepayments, other receivables and other assets	**74,687**	88,414
Amounts due from related parties	**105,453**	52,059
Equity investments at fair value through profit or loss	**389,675**	491,357
Cash and bank balances	**7,310,311**	7,502,069
Total current assets	**14,873,223**	9,488,121
CURRENT LIABILITIES		
Trade payables	**–**	68,140
Other payables and accruals	**53,201**	145,988
Interest-bearing bank borrowings	**1,268,874**	22,126
Lease liabilities	**4,165**	–
Total current liabilities	**1,326,240**	236,254
NET CURRENT ASSETS	**13,546,983**	9,251,867
TOTAL ASSETS LESS CURRENT LIABILITIES	**30,814,374**	25,551,469
NON-CURRENT LIABILITIES		
Convertible bonds	**5,880,512**	–
Lease liabilities	**220,474**	–
Interest-bearing bank borrowings	**6,666,857**	7,734,802
Total non-current liabilities	**12,767,843**	7,734,802
Net assets	**18,046,531**	17,816,667
EQUITY		
Share capital	**415,895**	278,451
Treasury shares	**(469,944)**	(412,837)
Reserves (note)	**18,100,580**	17,951,053
Total equity	**18,046,531**	17,816,667

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's equity is as follows:

	Issued capital RMB'000	Share premium account RMB'000	Treasury reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2019	278,846	13,020,536	(457,288)	65,051	958,204	(57,803)	3,332,454	–	17,140,000
Effect of changes in accounting policies	–	–	–	–	–	–	–	–	–
At 1 January 2019 (restated)	278,846	13,020,536	(457,288)	65,051	958,204	(57,803)	3,332,454	–	17,140,000
Profit for the year	–	–	–	–	–	–	1,415,564	–	1,415,564
Fair value changes of financial assets	–	–	–	–	(3,592)	1,366	–	–	(2,226)
Exchange differences related to foreign operations	–	–	–	–	183,208	–	–	–	183,208
Total comprehensive income for the year	–	–	–	–	179,616	1,366	1,415,564	–	1,596,546
Repurchase of shares under share award scheme	–	–	(32,048)	–	–	–	–	–	(32,048)
Cancellation of treasury shares	(395)	(76,104)	76,499	–	–	–	–	–	–
Final 2018 dividend declared	–	–	–	–	–	–	(221,957)	–	(221,957)
Interim 2019 dividend	–	–	–	–	–	–	(665,871)	–	(665,871)
At 31 December 2019	278,451	12,944,432	(412,837)	65,051	1,137,820	(56,437)	3,860,190	–	17,816,670

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

A summary of the Company's equity is as follows: (continued)

	Issued capital RMB'000	Share premium account RMB'000	Treasury reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2020	278,451	12,944,432	(412,837)	65,051	1,137,820	(56,437)	3,860,190	–	17,816,670
Profit for the year	–	–	–	–	–	–	1,750,534	–	1,750,534
Fair value changes of financial assets	–	–	–	–	–	328,206	–	–	328,206
Exchange differences related to foreign operations	–	–	–	–	(534,628)	–	–	–	(534,628)
Total comprehensive income for the year	–	–	–	–	(534,628)	328,206	1,750,534	–	1,544,112
Repurchase of shares for cancellation	–	–	(138,266)	–	–	–	–	–	(138,266)
Repurchase of shares under share award scheme	–	–	(57,107)	–	–	–	–	–	(57,107)
Cancellation of treasury shares	(393)	(137,873)	138,266	–	–	–	–	–	–
Final 2019 dividend declared	–	–	–	–	–	–	(223,931)	–	(223,931)
Interim 2020 dividend	–	–	–	–	–	–	(894,944)	–	(894,944)
Issue of bonus shares	137,837	(137,837)	–	–	–	–	–	–	–
At 31 December 2020	415,895	12,668,722	(469,944)	65,051	603,192	271,769	4,491,849	–	18,046,534

* The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2021.