CHINA GRAND PHARMACEUTICAL AND HEALTHCARE HOLDINGS LIMITED

遠 大 醫 藥 健 康 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00512)

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

Financial Summary

- The revenue for the year ended 31 December 2019 amounted to approximately HK$6,590.64 million (2018: HK$5,958.36 million) with an increment of approximately 10.6% as compared with the same period of last year. If disregarding the fluctuation of foreign currency, for the year ended 31 December 2019 the revenue of the Group increased by approximately 15.6%, among which the revenue from pharmaceutical preparations and medical devices increased by approximately 24.3%.

- The profit for the year attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately HK$1,150.94 million (2018: HK$712.67 million) with an increment of approximately 61.4% as compared with the same period of last year. If disregarding the fluctuation of foreign currency, for the year ended 31 December 2019 the profit attributable to the owners of the Company increased by approximately 69.4% as compared to the same period of last year.

- The gross profit margin for the year ended 31 December 2019 was approximately 61.3% (2018: 53.1%) with an increment of approximately 8.2 per cent points as compared with the same period of last year, and the annual average growth rate between 2014 to 2019 is approximately 4.6 per cent points.

- As a result of capital and asset injection and also the growing of financial results, the gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, recorded a further decrease from approximately 29.7% as at 31 December 2018 to approximately 24.0% as at 31 December 2019, and also recorded improvement from net current liabilities in previous years to approximately HK$233.2 million of net current assets in current year.

- During 2019 the Group kept on strengthening the corporate strategy in promoting products with high-entry barriers, products with brands and products integration of raw materials and preparations, which brought out an obvious attainment of operation. Throughout years of efforts, the operation profit of the Group recorded continuous growth and thus the Board proposed a final dividend of HK$0.096 per Share.

The board (the "**Board**") of directors (the "**Directors**") of China Grand Pharmaceutical and Healthcare Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated annual results for the year ended 31 December 2019 of the Company and its subsidiaries (collectively the "**Group**"), together with comparative figures for the previous period as follows. The Group's unaudited financial information in this announcement was prepared based on the unaudited consolidated financial statements of the Group for the year ended 31 December 2019.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*4*	**6,590,635**	5,958,355
Cost of sales		**(2,549,270)**	(2,796,841)
Gross profit		**4,041,365**	3,161,514
Other revenue and income		**255,346**	183,181
Impairment losses under expected credit loss model of financial assets at amortised cost, net of reversal		**(57,825)**	1,867
Distribution costs		**(2,239,494)**	(1,759,869)
Administrative expenses		**(616,488)**	(552,506)
Other operating expenses	*5*	**(8,097)**	(16,171)
Share of results of associates		**130,274**	69,179
Finance costs	*6*	**(146,502)**	(203,296)
Profit before tax		**1,358,579**	883,899
Income tax expense	*7*	**(230,485)**	(147,460)
Profit for the year	*8*	**1,128,094**	736,439

	Notes	**2019** *HK$'000* **(Unaudited)**	2018 *HK$'000* (Audited)
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value gain on investment in equity instruments at fair value through other comprehensive income		**176**	862
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		**10,419**	2,598
Exchange difference on translating foreign operations		**(75,013)**	(153,816)
Other comprehensive loss for the year, net of income tax		**(64,418)**	(150,356)
Total comprehensive income for the year, net of income tax		**1,063,676**	586,083
Profit/(loss) for the year attributable to:			
- Owners of the Company		**1,150,935**	712,667
- Non-controlling interests		**(22,841)**	23,772
		1,128,094	736,439
Total comprehensive income/(loss) for the year attributable to:			
- Owners of the Company		**1,085,790**	561,693
- Non-controlling interests		**(22,114)**	24,390
		1,063,676	586,083
Earnings per share	*10*		
- Basic (HK cents)		**35.12**	27.74
- Diluted (HK cents)		**35.12**	26.50

Details of the dividends for the year ended 31 December 2019 are disclosed in note 9 to the financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**2,911,805**	2,876,443
Right of use assets		**342,364**	-
Investment properties		**79,815**	74,228
Prepaid lease payments		**-**	267,953
Interests in associates		**5,181,249**	5,309,989
Equity instruments at fair value through other comprehensive income		**95,025**	96,526
Deposits for acquisition of non-current assets		**-**	39,491
Goodwill		**480,321**	487,848
Intangible assets		**794,723**	815,998
Deferred tax assets		**19,872**	14,290
Prepayments		**97,434**	84,841
		10,002,608	10,067,607
Current assets			
Financial assets at fair value through profit or loss		**71,891**	45,605
Inventories		**814,173**	770,329
Trade and other receivables	*11*	**1,708,537**	1,609,311
Amounts due from related companies		**50,697**	10,832
Prepaid lease payments		**-**	7,216
Pledged bank deposits		**121,285**	73,515
Cash and cash equivalents		**1,059,247**	912,244
		3,825,830	3,429,052
Current liabilities			
Trade and other payables	*12*	**2,029,279**	2,342,539
Contract liabilities		**305,558**	156,432
Bank and other borrowings		**967,607**	1,967,352
Lease liabilities		**22,621**	-
Convertible bonds		**-**	284,725
Obligations under finance leases		**-**	54,097
Amounts due to related companies		**33,155**	10,529
Amount due to the immediate holding company		**3,402**	17,603
Income tax payable		**231,024**	133,571
		3,592,646	4,966,848
Net current assets / (liabilities)		**233,184**	(1,537,796)
Total assets less current liabilities		**10,235,792**	8,529,811
Non-current liabilities			
Bank and other borrowings		**1,062,690**	187,486
Lease liabilities		**11,928**	-
Bond payables		**-**	113,562
Deferred tax liabilities		**171,506**	179,012
Deferred income		**475,892**	595,894
Obligations under finance leases		**-**	19,230
		1,722,016	1,095,184
Net assets		**8,513,776**	7,434,627

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**33,776**	31,348
Reserves		**8,341,641**	7,159,611
Equity attributable to owners of the Company		**8,375,417**	7,190,959
Non-controlling interests		**138,359**	243,668
Total equity		**8,513,776**	7,434,627

Notes:

1. GENERAL INFORMATION

The Company is incorporated in Bermuda on 18 October 1995 as an exempted company under the Companies Act 1981 of Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 19 December 1995. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 3302, The Centre, 99 Queen's Road Central, Hong Kong, respectively.

The Group is principally engaged in the research and development, manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and health products, specialized pharmaceutical raw materials and other products, in the People's Republic of China (the "**PRC**").

The directors of the Company(the "**Directors**") consider that Outwit Investments Limited (the "**Outwit**") is the parent company of the Company, and China Grand Enterprises Incorporation (the "**China Grand**") is the ultimate holding company of the Company.

The unaudited consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as functional currency of the Company, and the functional currency of most of the subsidiaries in Renminbi ("**RMB**"). The Board considered that it is more appropriate to present the unaudited consolidated financial statements in HK$ as the shares of the Company (the "**Shares**") are listed on the Stock Exchange. The unaudited consolidated financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HKAS 19 (Amendments)	Plan Amendments, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

The above new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the unaudited consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Reclassification HK$'000	Recognition of lease HK$'000	Carrying amounts under HKFRS16 at 1 January 2019 HK$'000
Non-current assets				
Right-of-use assets	-	275,169	5,316	280,485
Prepaid lease payments	267,953	(267,953)	-	-
Total non-current assets	**10,067,607**	**7,216**	**5,316**	**10,080,139**
Current assets				
Prepaid lease payments	7,216	(7,216)	-	-
Total current assets	**3,429,052**	**(7,216)**	**-**	**3,421,836**
Current liabilities				
Lease liabilities	-	54,097	2,643	56,740
Obligations under finance leases (note)	54,097	(54,097)	-	-
Total current liabilities	**4,966,848**	**-**	**2,643**	**4,969,491**
Net current liabilities	**(1,537,796)**	**(7,216)**	**(2,643)**	**(1,547,655)**
Non-current liabilities				
Lease liabilities	-	19,230	2,673	21,903
Obligations under finance leases (note)	19,230	(19,230)	-	-
Total non-current liabilities	**1,095,184**	**-**	**2,673**	**1,097,857**
Net assets	**7,434,627**	**-**	**-**	**7,434,627**

Note: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to approximately HK$54,097,000 and HK$19,230,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019. There has been no change in the liability recognised.

HKFRS 16 Leases

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement Contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 modified retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

a. Practical expedients applied

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on pervious assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-for-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend of terminate the lease.

b. Measurement of lease liabilities

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 5.09% to 10.29%.

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	7,030
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(557)
Less: short-term leases not recognised as a liability	(1,157)
Lease liabilities relating to operating lease recognised upon application of HKFRS16	5,316
Add: finance lease liabilities recognised as at 31 December 2018	73,327
Lease liability recognised as at 1 January 2019	78,643
On which are:	
Current lease liabilities	**56,740**
Non-current lease liabilities	**21,903**
	78,643

c. Measurement of right-of-use assets

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	*HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(a)	5,316
Add: Reclassification from prepaid lease payments	(b)	275,169
		280,485

	HK$'000
By class:	
Properties	5,316
Land use rights	275,169
	280,485

Note:

(a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the unaudited statement of financial position as at 31 December 2018.

(b) Up front payments for leasehold lands in PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$7,216,000 and HK$267,953,000 respectively were reclassified to right-of-use assets.

d. Lessor accounting

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

e. Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year, the Group entered into a sale and leaseback transaction in relation to certain plant and machinery and the transaction does not satisfy the requirements as a sale.

New and amendments to HKFRSs that have been issued but are not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the unaudited consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**")) and by the Hong Kong Companies Ordinance.

The unaudited consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these unaudited consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS

17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

4. REVENUE AND SEGMENT INFORMATION

For the year ended 31 December 2019 and 2018, the Group is principally engaged in research and development, manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and health products, specialised pharmaceutical raw materials and other products. The Board of directors, being the chief operating decision maker of the Group, reviews the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single reportable segment under HKFRS 8 and accordingly, no separate segment information is prepared.

The Group's revenue represents the invoiced value of goods sold, net of discounts and sales related taxes.

Geographical information

The Group's operations are mainly located in the PRC (country of domicile) and it also derives revenue from America, Europe and Asia.

Information about the Group's unaudited revenue from external customers is presented based on geographical location of the customers and information about the Group's unaudited non-current assets is presented based on geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
The PRC	**5,430,277**	4,889,374	**7,488,490**	6,744,831
America	**480,998**	226,343	-	-
Europe	**261,209**	444,047	-	-
Asia other than the PRC	**315,623**	361,308	-	-
Others	**102,528**	37,283	-	-
Total	**6,590,635**	5,958,355	**7,488,490**	6,744,831

Note: Non-current assets excluded equity instruments at fair value through comprehensive income, deferred tax assets and a part of interests in associates.

Information about major customers

For the years ended 31 December 2019 and 2018, none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue.

REVENUE

Disaggregation of revenue from contracts with customers

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Type of goods and services		
Manufacture and sales of pharmaceutical preparations and medical devices	**4,268,653**	3,588,143
Sales of bio-technology products and health products	**1,556,922**	1,615,832
Sales of specialised pharmaceutical raw materials and other products	**765,060**	754,380
Total revenue recognised at point in time	**6,590,635**	5,958,355

	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Revenue disclosed in segment information		
External customers	**6,590,635**	5,958,355
Timing of revenue recognition		
At point in time	**6,590,635**	5,958,355

All of the Group's revenue is generated in the PRC based on where goods are sold. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

5. OTHER OPERATING EXPENSES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Amortisation of intangible assets	**8,097**	16,171

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest on bank borrowings:		
- wholly repayable within five years	**121,788**	157,653
- not wholly repayable within five years	**-**	-
Interest on bond payables	**5,988**	6,805
Interest on convertible bonds	**11,909**	26,977
Interest on amount due to the immediate holding company	**21**	255
Interest on finance leases	**-**	11,606
Interest on lease liabilities	**6,796**	-
	146,502	203,296

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax:		
The PRC Enterprise Income Tax	**240,372**	154,034
Deferred tax	**(9,887)**	(6,574)
	230,485	147,460

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company did not have any assessable profits subject to Hong Kong profits tax at the rate of neither 8.25% nor 16.5% (2018: neither 8.25% nor 16.5%). Provision on profits assessable elsewhere has been calculated at the rate of tax prevailing to the countries to which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the relevant PRC tax regulations, High-New Technology Enterprise (the "**HNTE**") operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax (the "**EIT**") rate of 15%. Certain subsidiaries are recognised as HNTE and accordingly, are subject to EIT at 15%. The recognition as a HNTE is subject to review on every three years by the relevant government bodies.

8. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit for the year is stated after charging:		
Depreciation of property, plant and equipment	**420,130**	220,144
Depreciation of right-of-use assets	**11,657**	-
Amortisation of prepaid lease payments (included in cost of sales and administrative expenses)	**-**	7,096
Amortisation of intangible assets (included in other operating expenses)	**8,097**	16,171
Total depreciation and amortisation	**439,884**	243,411

9. DIVIDEND

The Board recommends the payment of final dividend of approximately HK$0.096 at HK$324,250,000 per share (2018: HK$269,600,000 at HK$0.086 per share) for the year ended 31 December 2019.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data

	2019	2018
	HK$'000	*HK$'000*
Earnings	**(Unaudited)**	(Audited)
Earnings for the purpose of basic earnings per share calculation	**1,150,935**	712,667
Effect of dilutive potential ordinary shares:		
- Interest on convertible bonds	**-**	26,977
Earnings for the purpose of diluted earnings per share calculation	**1,150,935**	739,644

	2019	2018
	'000	*'000*
Number of shares	**(Unaudited)**	(Audited)
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**3,277,561**	**2,568,876**
Effect of dilutive potential ordinary shares:		
- Convertible bonds	**-**	**222,222**
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**3,277,561**	**2,791,098**

The diluted earnings per share is the same as the basic earnings per share for the year ended 31 December 2019 because the effect of the Company's convertible bonds during the year were anti-dilutive.

The Company's outstanding convertible bonds were included in the calculation of diluted earnings per share because the effect of the Company's outstanding convertible bonds were diluted for the year ended 31 December 2018.

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables, net	**897,991**	928,865
Bills receivables	**497,866**	313,659
Prepayments	**207,543**	258,028
Deposits paid	**469**	469
Other tax receivables	**38,169**	30,852
Other receivables, net	**66,499**	77,438
	1,708,537	1,609,311

The Group generally allows a credit period of 30 – 180 days (2018: 30 – 180 days) to its trade customers. The Group does not hold any collaterals over the trade and other receivables. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date. The bills receivables were all with maturity within 180 days from the reporting date.

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**773,517**	831,589
91-180 days	**84,724**	73,678
181-365 days	**39,750**	23,598
	897,991	928,865

12. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**354,954**	394,506
Bills payables	**479,122**	661,370
Accruals and other payables (note (a))	**1,134,607**	1,137,896
Other tax payables	**60,596**	148,767
	2,029,279	2,342,539
Contract liabilities (note (b))	**305,558**	156,432

Notes:

(a) Included in accruals and other payables, during year ended 31 December 2018, there is an amount of approximately HK$350,632,000 which was payable for acquisition of associate company.

(b) Contract liabilities are in relation to sales of finished goods.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**236,901**	267,262
Over 90 days	**118,053**	127,244
	354,954	394,506

13. SHARE CAPITAL

	Number of shares at		Share capital at	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	'000	*'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Authorized				
Ordinary shares of HK$0.01 each	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At 1 January 2019 and 2018	**3,134,825**	2,237,012	**31,348**	22,370
Conversion of convertible bond	**222,222**	22,222	**2,222**	222
Rights issue	**-**	394,146	**-**	3,941
Issued under subscription	**20,524**	481,445	**206**	4,815
At 31 December 2019 and 2018	**3,377,571**	3,134,825	**33,776**	31,348

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2019, high-quality and efficient development was maintained in the pharmaceutical industry, with an increase in the number of drugs approved by the China National Medical Products Administration ("**NMPA**") Centre for Drug Evaluation ("**CDE**"). During the period from January to November of 2019, the operating income of pharmaceutical industrial enterprises increased by 8.9% year on year and their total profit increased by 11% year on year. At the same time, an array of favorable policies introduced by the Chinese government, including quantity-based procurement of drugs, access to the new medical insurance catalogue through negotiations, and national fiscal support for research and development of innovative drugs, further improved the medical market system and promoted the healthy development of the medical market. In this context, the Group firmly grasped the opportunities emerging in the Chinese medical market in 2019 in a market-focused and policy-oriented manner. The Group actively responded to the national policies, and developed its business by continuously expanding product coverage.

With China's accession to The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), and the active reform in the pharmaceutical supervisory system, pharmaceutical industry of the country is undergoing historic changes both in the system and market. Pharmaceutical enterprises are facing unprecedented challenges in their management and development. Being the primary helm of Chinese pharmaceutical market, the newly-established National Healthcare Security Administration controls and even leads the development of the market since it has the final say on the price payment mechanism, the most important aspect in the pharmaceutical market, and also owns the ultimate payment power. In the past year, the quantity-based procurement of drugs program in which the medical insurance plays a leading role has become the biggest definite event drawing the greatest attention from the pharmaceutical industry. The great power of price leverage would exercise great impact on the development of the medical industry once the medical insurance payment standards/medical insurance payment price takes into effect after the rules and systems are adopted and the legal system is improved. From the national level, the State may free up the room for medical insurance payment by standardizing the market behavior, improving industry concentration, and the State also encourages and supports innovation in the industry. The existing market space for pharmaceutical enterprises, especially those that are mainly engaged in manufacturing of generic drug, has been narrowed. Pharmaceutical enterprises had to look for alternative solutions to achieve sustainable development. Only by finding the right direction in the changing market landscape and seizing the opportunity against the fierce competition can we get ahead and excel ourselves.

NMPA showed that the Chinese pharmaceutical industry has become one of the most rapidly-developing industries in the national economy with its continuous expansion in overall scale since the reform and liberalisation of China. With ongoing industrialisation and urbanisation, aging population and the changes in ecological environment and mode of life, some types of diseases have become major causes of death of and created burden of disease for the Chinese. The "國務院關於實施健康中國行動的意見" published in June 2019 revealed that cerebro-cardiovascular diseases, cancers, respiratory illnesses, diabetes and other chronic diseases contributes over 70% of the total burden of disease and 88% of total deaths, and have been a key factor that hinders the increase in healthy life expectancy in China. As such, generic and innovative drugs for preventing and treating four major diseases, namely cerebro-cardiovascular diseases, cancers, chronic respiratory illnesses and diabetes will have greater development opportunities, and pharmaceutical enterprises which implement strategic plans accordingly will be able to lead their rivals.

In the past year, opportunities and challenges existed side by side. The outbreak of coronavirus at the end of 2019 will unavoidably result big impact toward the global economy in 2020. The Group, a pharmaceutical enterprise headquartered in Wuhan and pledging to shoulder its social responsibility, ensure the firstline drugs are steadily supplied to cope with the epidemic. Eight of our drugs have been included in the procurement catalogue of Huoshenshan Hospital and Leishenshan Hospital, two emergency specialty of Jinsang series for clearing heat and removing toxicity, Eucalyptol, Limonene and Pinene Enteric Soft Capsules (Qie Nuo), antiviral oral solution and epinephrine for emergency medical treatment to ensure the supply of medical materials during the epidemic. At present, our production and operation are underway smoothly and orderly. We are making every effort to achieve compliant, orderly and stable production and operation on the premise of ensuring the health of employees.

Business Review

The Group is principally engaged in the manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and health products, and also specialized pharmaceutical raw materials. The core pharmaceutical and medical devices products of the Group mainly applied in the cerebro-cardiovascular emergency, Ear, Nose & Throat as well as Eye (the "**ENT**") treatments and selective internal radio therapy for tumor treatment.

The development strategy of the Group is to expand the product portfolio through internal research and development and external investment and acquisition, and also to enhance the synergy effect and operation efficiency through effective resources allocation. After years of unremitting efforts, the Group has become one of the largest suppliers in China in the fields of cerebro-cardiovascular emergency and ENT sub-divisions. In recent years, the market has received many new policies encouraging the innovation reform in the drugs and medical devices. In face of such market climate, and with a view to build its product competitive advantages in the core field, the Group actively and continuously optimized the product matrix to establish its development direction featuring four businesses: innovative drugs with high entry barriers, branded drugs, pharmaceutical raw materials and preparations integration, and health products. For the year ended 31 December 2019, the revenue of the Group was approximately HK$6,590.64 million, an increase of approximate 10.6% as compared with 2018.

In 2019, the Group conducted a total of five major investment and acquisition activities, with an aim at further strengthening our existing reserve of innovative products in core therapeutic areas, accelerating the improvement in our research and development strength, and speeding up the realization of global presence, thus providing driving force for the long-term development of the Group.

In February 2019, the Group entered into an exclusive license agreement with Swiss-based R&D company Glenmark Specialty S.A., thereby the Group being licensed to exclusively sell Ryaltrisin China for a period of 20 years. Ryaltris, a new compound nasal spray of glucocorticoid and antihistamine, is used to treat seasonal allergic rhinitis of patients over 12 years old. The clinical trial results proved that efficacy of Ryaltris is superior to that of single formula and that Ryaltris also substantially mitigates the side effects. Ryaltris is expected to be a better treatment option for allergic rhinitis patients. This product is in the approval and information provision status under U.S. Food and Drug Administration ("**FDA**"), and at the same time the clinical trial proposal in China is under design stage. After the product is approved by FDA, the application for registration of imported drugs will be submitted to the CDE. China is one of the countries with the highest incidence of allergic rhinitis in the world. According to the "中國過敏性鼻炎診療指南"published in 2019 it shows that, from 2005 to 2010 the incidence of adult allergic rhinitis in China increased from approximately 11.1% to approximately 17.6%; at present, there are approximately 150 million adults with rhinitis in China, over 6 million of whom are patients with moderate and severe allergic rhinitis, as calculated according to market research. The strategic introduction of Ryaltris will supplement the product offerings of the Group in ENT, improving the core product competitiveness of the Group, thus strengthening its market position.

In October 2019, the Group purchased 44% shares of OncoSec Medical Incorporated (the "**OncoSec**"), a U.S.-based biotechnology company, at a price of USD25 million. OncoSec, a clinical-stage biotechnology company, uses its proprietary electroporation delivery technology to develop cell factor-based intratumor immunotherapy. As a potential treatment method for refractory metastatic melanoma, Tavo (Tavokinogene Telse Plastid), the world's first gene immunotherapy product, was granted fast track designation and orphan drug status for the treatment of non-resectable metastatic melanoma by FDA in 2017. In 2019, TAVO received the classification of Advanced Therapy Medical Product (ATMP) from the European Medicines Agency (EMA). TAVO is currently in the phase II clinical study on advanced melanoma that has progressed after anti-PD-1 therapy alone. The study is expected to be completed by the end of 2020. The closing was completed in February 2020. The Group together with Sirtex Medical US Holdings, Inc. (an 49% indirectly owned associated company of the Company) owned approximately 52.8% equity interests in OncoSec, and the Group also acquired commercialization right of the licensed products in China and other 38 Asian countries. The acquisition further expanded the Group's product pipeline in the anti-tumor field and accelerated our accession to the tumor immunotherapy market valuing more than RMB 1 trillion.

In November 2019, the Group entered into an exclusive licensing and co-development agreement with Griffith University in Australia, pursuant to which the Group obtained the global development and commercialization rights for the world-wide first developed product for the treatment of parainfluenza infection. The development of this product will fill the gap of treatment for parainfluenza infection in the market. Griffith University will be responsible for further screening and optimization of new parainfluenza drugs. Taking the project as an opportunity, the Group will establish a research and development centre in Australia, which will be responsible for the clinical development to be involved in the project and the post-marketing commercial operation. Establishment of the centre will further enhance the Group's capability of research, development and innovation and also improve its international presence.

In December 2019, the Group entered into a tripartite agreement with Sirtex Technology Pty Ltd. and Australian National University, pursuant to which the Group was granted the license to the research & development cooperation related to HIP project, as well as the intellectual property rights related to the project. The products introduced by HIP project are drugs for treatment of sepsis using a new mechanism. Sepsis is a life-threatening organ dysfunction caused by an immune response to infection. According to the information shown in "中國膿毒症/膿毒性休克急診治療指南(2018)", Sepsis affects more than 19 million people worldwide each year, with a fatality rate of more than a quarter. At present, there is no drug on the market for this indication, which means there is an urgent market demand. There is pressing demand for drugs for clinical treatment of sepsis, a disease with continuously increasing incidence and high mortality rate. Drugs for treatment of sepsis have a tremendous market potential. The acquisition of the global development and commercialization rights of HIP project will not only help the Group to enter new significant markets in the fields of first aid and anti-infection, but also further strengthen our international presence, providing powerful support for improving our competitiveness in the international market.

In December 2019, the Group entered a licensing agreement and a share subscription agreement with BRIM Biotechnology, Inc. (台灣全福生物科技股份有限公司) (the "**BRIM**"), pursuant to which the Group obtained the development and commercialization rights in China of BRM421, an internationally first product used for the treatment of dry eye disease which is developed by the BRIM, and the Group acquires approximate 6% equity of BRIM at a price of NTD155 million. BRM421 is a global innovative small molecule peptide eye drops product. It can speed up the division and proliferation of limbal stem cells, which in turn stimulates the repair of ocular surface for curing the dry eye disease. This product is undergoing the phase 2 clinical research in the United States. It has high safety standard and low irritation. It has the potential to quickly relieve the symptoms and signs of dry eye disease within 2 weeks.

Compared with such marketed therapeutic products for dry eye as cyclosporine eye drops, which generally take three to six months to take effect and have obvious eye irritation, BRM421 has obvious advantages of quick effect and little irritation. It is planned to commence a larger scope of clinical research at the beginning of 2020 for supporting the commercialization of such product. Being one of the largest ophthalmic enterprises in China integrating R&D, production and sales, the Group always strives in the development and introduction of new products in the ophthalmic sector. The introduction of innovative dry eye disease product will further enrich the product lines of innovative drugs with high entry barriers in the ophthalmic sector, which will in turn provide strategic reserve for the long-term development of the Group.

While actively introducing new products to enrich research and development pipelines and accelerate the realization of global presence, the Group also speed up the development of existing products. In October 2019, an innovative coronary intervention product "Paclitaxel Releasing Coronary Balloon Dilatation Catheter" (the "**RESTORE DEB**"), which is the first product in China market being able to treat 2 indications (in-stent restenosis ("**ISR**") and small vessel disease ("**SVD**"), being co-developed by the Group and Cardionovum GmbH, an associated company of the Group in Germany, has been recently granted the medical device registration certificate by National Medical Products Administration of PRC. The Group will be responsible for the promotion and distribution of such products in China. RESTORE DEB, a self-developed drug eluting balloon product, currently is the first and the only product in China market which is able to treat 2 indications, namely in-stent restenosis and small vessel disease. It reflects a wide range of clinical value and market prospects. The Group used 3 years to complete the prospective, multi-center and randomized controlled clinical study for 2 indications, namely the ISR and SVD, proving the safety and efficiency of RESTORE DEB in the treatment of ISR and SVD. The results were presented in the Transcatheter Cardiovascular Therapeutics congress held in the United States on 23 September 2018. It was also published the JACC Cardiovascular Interventions, an authoritative cardiovascular intervention academic journal in the United States. The clinical study and registration progress of another 2 innovative self-developed drug-eluting balloon products Aperto and Legflow of the Group are running smoothly. It is expected to enrich our categories of medical devices and the product pipeline in the field of vessel intervention after its commercialization, thus improving the market competitiveness of the Group.

In addition to the more than 200 products then listed, other new products of the Group such as Pediatric Cough Granule (小兒咳喘顆粒) and Concentrated Sodium Chloride Injection were included in the "National Drug List for Basic Medical Reimbursement, Work-Related Injury Reimbursement and Maternity Reimbursement (2019 Version)" (the "**National Medical Reimbursement List**") published by the National Healthcare Security Administration ("NHSA") in August 2019, which further proved that characteristics of our products: safety, efficiency and satisfaction of urgent market demands.

In November 2019, the Group became one of the second batch of centralized production base construction units for minority-variety drug (inadequate drugs) approved by the Consumer Goods Industry Department of the Ministry of Industry and Information Technology of China. According to the catalogue of small varieties of drugs of the national ministries and commissions, the Group is able to produce and supply 30 kinds of minority-variety drug and 38 specifications. The Group normally produces 13 varieties and 15 specifications, and is able to produce the rest varieties within one year. After becoming the centralized production base construction units for minority-variety drug (inadequate drugs), the Group will receive strong support from the Ministry of Industry and Information Technology and the National Development and Reform Commission in terms of production technology transformation, drug quality and efficacy consistency evaluation, and the relevant products will also be given priority review and approval from the food and drug supervision agencies. At the same time, NHFPC will implement centralized online procurement and guarantee reasonable procurement prices for minority-variety drugs produced in centralized production bases. Relevant supportive policies not only further enhance the comprehensive strength of the Group, but also provide guarantee for the growth of minority-variety drug performance.

With reference to the disclosure in the 2016, 2017 and 2018 annual report of the Company, Tianjin Jingming New Technology Development Co., Ltd. (the "**Tianjin Jingming**"), an indirect non-wholly owned subsidiary of the Company, is undertaking certain litigations related to a product quality incident, and it is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered by the Company. Up to 31 December 2019, the court has concluded 53 cases, and Tianjin Jingming has appealed 16 cases against the judgement of first instance with aggregate compensation of approximately RMB16.54 million. Among the final and effective judgements, Tianjin Jingming has paid the compensation and the related legal charges of approximately RMB14.43 million in according to the court order. The other related litigations of the product quality incident have not yet been concluded. Given that (1) such product is not the core product of the Group, and (2) according to the terms of the agreement for the acquisition of Tianjin Jingming, the original shareholders of Tianjin Jingming should be responsible for the compensation of such product incident until 30 June 2015, and GrandPharma (China) Co., Ltd. (the "**GrandPharma (China)**") is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered. The court has reached final judgement and the original shareholders of the Tianjin Jingming should return the equity transfer consideration amounted to approximately RMB6.22 million to GrandPharman (China), and also should pay GrandPharma (China) approximately RMB1.87 million due to their breach of contract. GrandPharma (China) also has the right to ask for further compensation from the original shareholders of the Tianjin Jingming for further quality claim due to the product quality indicent. Hence, the Directors are of the view that the said incident and the related litigations do not have material impact to the Group.

According to the terms of the agreement for the acquisition of Tianjin Jingming, the vendors have undertaken to the Group that the net profit after tax (the "**Actual Profit**") from domestic sales (only include the net profit generated from domestic sales and shall not include the profit generated from the sales of irrigating solutions (灌注液)) of Tianjin Jingming for the period commencing on 1 January 2015 and ending on 30 June 2015 shall not be less than RMB5 million (the "**Performance Guarantee**"). If the above Performance Guarantee cannot be met, the Group can claim for a refund of part of the consideration in according to the formula set out in the announcement of the Company dated 22 December 2014. The Group was in a litigation against those vendors in related to the said Performance Guarantee, and in July 2017 obtained the judgement of first instance from the court and received the final judgement from the court in February 2018. It is concluded that the Group can get back the RMB10 million share transfer consideration currently deposited in the bank account jointly controlled by the Group and the vendors. The vendors should also additionally refund approximately RMB21.2 million share transfer consideration to the Group in according to the terms of the agreement for the acquisition of Tianjin Jingming. The vendors subsequently applied for rehearing of the aforesaid judgement, and the matter will be reheard according to the court's judgement in December 2019, but it has reached final judgement from Hubei Higher People's Court (湖北省高級人民法院) that the appeal from the vendors has been rejected and uphold the verdict.

As a result of the efforts of previous years, the Group has become one of the leading enterprises in the ENT sectors in China, and has become a well-known enterprise with significant impact in the cerebro-cardiovascular emergency sector. We have confidence that once the various products of Sirtex Medical Pty Ltd., OncoSec and CARDIONOVUM GmbH are registered in China, the Group will become one of the enterprises which own internationally innovative blockbusters products in the aspect of interventional internal radiotherapy for cancer treatment and cerebro-cardiovascular interventional treatment in China. China is carrying out reform in its medical industry, and encourages the pharmaceutical innovation. In this context, the Group actively optimized its industrial structure. While adhering to the strategy of integration of raw materials and preparations, the Group vigorously developed products with certain technologies and market barriers as well as brand medicine products in order to gradually establish a market leading position, increase the proportion of products with high gross profit, thus enhancing our risk resistance and market competitiveness.

Revenue

For the year ended 31 December 2019, the Group recorded a revenue amount of approximately HK$6,590.64 million, and was increased by approximately 10.6% as compared with the same period of 2018. The increment of the revenue is mainly due to the Group vigorously develops specialized pharmaceutical products with large market and high-entry barriers, exclusive or protected pharmaceutical products and branded pharmaceutical products, especially the pharmaceutical preparation category recorded significant growth. Also various products of the Group are still listed in the National Medical Reimbursement List published during the year, and a few products were newly added into the list, as a result the number of products listed in the new version of National Medical Reimbursement List were more than the old version and allow the Group gaining more market share. As a result of continuous fine-tuning of the product portfolio, the proportion of products with high gross profit keep growing and resulting the increment of average gross profit margin of the Group to approximately 61.3% for the Group during the year, which is approximately 8.2 percent points higher than the approximately 53.1% in the same period of 2018. During this period the profit attributable to the owners of the Company was approximately HK$1,150.94 million. It is benefited not only from the increment of revenue and gross profit as stated above, but also the share of profit from associates (net) also recorded approximately HK$130.27 million (among which the Xudong Haipu, which the acquisition was completed in the second half of 2018, contributed unaudited profit of approximately HK$247.57 million). As a result the profit attributable to the owners of the Company increased by approximately 61.4% respectively as compared with the same period of 2018. If disregarding the fluctuation of foreign currency, for the year ended 31 December 2019 the revenue of the Group increased by approximately 15.6% and the profit attributable to the owners of the Company increased by approximately 69.4% as compared to the same period of last year.

Pharmaceutical Preparations and Medical Devices

Pharmaceutical preparations and medical devices are the major sources of profit of the Group. The core products include ENT medicines, cerebro-cardiovascular medicines and medical devices, etc. For the year ended 31 December 2019, the revenue amount of pharmaceutical preparations and medical devices was approximately RMB3,763.05 million with the increment of approximately 24.3% as compared with approximately RMB3,027.64 million in the same period of 2018.

- *ENT medicines and devices*

  In recent years, the Group devotes to build the most comprehensive supply chain of ENT medicines in the PRC, covering the prescription drugs, non-prescription drugs, Chinese medicine, medical devices, consumables and healthcare products, etc., and providing an all-rounded treatments and care to medical professions and patients. The Group has multi-channel industry advantages and brand market awareness. Through application of combined advantages of multi-products, the Group will further increase the promotion of non-prescription branded products and increase brand awareness from consumers to obtain further recognition of the Group and its brands. It will further launch new products in the future, such as the first generic glaucoma eye drops "Travoprost" in order to enhance the competitiveness of the Group in the ENT medication field. During the current financial year, the revenue from ENT medicines and devices was approximately RMB2,179.09 million, which was increased by approximately 24.4% as compared with the same period of last year. It was benefit from the substantial growth of the two major sub-divisions of the ENT field, in which:

- Ophthalmic: During the year ended 31 December 2019, the revenue from the ophthalmic products was approximately RMB748.0 million, with an increment of approximately 15.3% as compared with the approximately RMB648.87 million in the same period of 2018. The core non-prescription eyedrops "Rui Zhu" has recorded continuous growth in revenue, in which the revenue during the period was approximately RMB151.93 million, representing an increase of approximately 31.0% as compared with the same period of last year. Benefited from the increased revenue from the core ophthalmic products and formulations including National Protected Chinese Medicines He Xue Ming Mu series that are protected by the National Chinese Medicine patents, the revenue of approximately RMB253.83 million has been recorded, with an increment of approximately 22.7% as compared with the same period of 2018.

- Respiratory and ENT: During 2019, the revenue of the respiratory and ENT products of the Group was approximately RMB1,431.09 million, which is increased by approximately 29.8% as compared with the approximately RMB1,102.13 million in the same period of last year. The main catalyst came from the major product Qie Nuo of Beijing Jiu He Pharmaceutical Limited. It was benefited from the effort of developing primary and retail markets by the newly established non-prescription drug sales team of the Group and also the market recognition of pediatric formulations, and thus the revenue during the period was approximately RMB909.75 million, representing an increase of approximately 28.7% as compared with the same period of last year. Moreover, the revenue of Jin Sang series was increased by approximately RMB100.47 million to approximately RMB386.07 million during this year.

\- *Cerebro-cardiovascular medicines and medical devices*

The Group's cerebro-cardiovascular emergency medicines mainly cover the field of platelet inhibitors, blood-pressure control, vasoactive drugs, etc., in which the platelet inhibitors injections and vasoactive drugs are in the pioneer position of the PRC market. With the benefit of strengthening the market promotion efforts, during 2019, the revenue of the Group's cerebro-cardiovascular medicines was approximately RMB1,168.60 million, increased by approximately 38.3% as compared with the same period of last year. Among this sector, the core product Li Shu An, Nuo Fu Kang and Rui An Ji contributed revenue amount of approximately RMB960.28 million, which was increased by approximately 48.7% as compared with the same period of last year.

Bio-technology Products and Health Products

The core products of the bio-technology products and health products include Taurine, amino acid products, bio-pesticides, bio-feed additives and steroid products, etc. The revenue of the bio-technology products and health products for 2019 was approximately RMB1,372.51 million, increased by approximately RM9.09 million as compared with the same period of last year. As benefit from the exploration of international business, the revenue from the amino acid products increased by approximately 13.4% to approximately RMB488.47 million as compared with the same period of last year. The bio-pesticides and bio-feeding related products also recorded an increment rate of approximately 15.4%. However, the production plant of steroid products was under production safety enhancement processes and resulted the decrease of production capacity and reduction of revenue. It is expected that after the completion of related works and examination, the production capacity may be back to the previous level.

Specialized Pharmaceutical Raw Materials and Other Products

Specialized pharmaceutical raw materials and other products are the comparatively stable sector among the three core product sectors of the Group. To enhance the market competitiveness and improve the economic efficiency, the Group has always been investing in the improvement of the product technology and the product quality, reformation in the production technique to enhance the efficiency, and adjusting the product matrix. Following the product matrix adjustment comes to the final stage, the revenue was also increased during the year, and recorded an approximately 6.0% increment to approximately RMB674.44 million as compared with last year.

Distribution Costs and Administrative Expenses

Distribution costs and administrative expenses for the year were approximately HK$2,239.49 million and HK$616.49 million respectively, while they were approximately HK$1,759.87 million and HK$552.51 million respectively in the same period of last year. The increment of the distribution costs was mainly due to the Group invested in the exploration of new markets and promotion of products during the past year, and also following the publication of the National Medical Reimbursement List the Group did more marketing activities to fully utilize this opportunity, and resulted over 10% increment in revenue. Following the expansion of business scope, the administrative expenses such as salaries and other office expenses also increased and thus resulted the overall administrative expenses increased by approximately 11.6% as compared with the same period of last year.

Finance Costs

For the year ended 31 December 2019, the finance costs of the Group were approximately HK$146.50 million while they were approximately HK$203.30 million during the same period of 2018. The Group is actively working on the changing of bank loans portfolio, and also the holder of convertible notes converted such notes to the shares of the Company during the year, and resulted the finance costs substantially reduced by approximately 27.9%.

Outlook and Future Prospects

Among the above four treatment areas with noteworthy growth potentials, the Group has established a firm groundwork in three areas, i.e. cerebro-cardiovascular diseases, cancers and respiratory illnesses, with its years of experience and development, especially in the recent five years. The Group has actively embraced this vast development opportunities by making preparations in different aspects, e.g. product pipelines, core products market share, academic marketing and promotion and key opinion leader (KOL) network development, product commercialisation, international talents for professional studies, reserves of future star products of drugs and medical devices.

The Group enjoys a high market share of and has recorded a steady growth in sales income from its cerebro-cardiovascular products, particularly emergency drug products. The Group offers core products that cover six out of the eight major categories and eleven out of the forty-eight types of emergency drugs under the national catalogue. It also occupies a leading position in the industry niche of cardiac stimulants with the largest number of products offered. Certain core products have been initially approved to be on the state’s list of alternatives for emergency drugs in deficiency and are under protection by state policies. For the reserves of future products, in addition to the R&D of its own first generic drugs for emergency use, the Group will also gradually introduce significant internationally-innovative products like device for interventional therapy and device for diagnosis, and global innovative drugs for the treatment of sepsis to China, further strengthening our leading position in the field of cardiovascular emergency treatment.

For cancer treatment products, the Group acquired an interventional product of nuclear radiotherapy, namely SIR-Spheres Y-90 resin microsphere product, for terminal liver cancer and an international platform for the R&D, marketing and sales of nuclear radiotherapy products through its successful acquisition with CDH Genetech Limited of Sirtex Medical Pty Ltd., an Australian life science corporation, in 2018. Liver cancer is one of the main courses of death for Chinese. The liver cancer patients in China with liver cancer patients accounting for more than 50% of the world's liver cancer patients. count over 50% of the total patients around the world. Currently, no effective liver cancer treatment methods and new-technology-based products are available. Therefore, a great potential exists for development of SIR-Spheres Y-90 resin microsphere. In 2019, the Group successfully acquired shares of a U.S.-based biotechnology company and obtained commercialization rights of TAVO, the first gene immunotherapy product in the world, and subsequently-developed products in China and other 38 Asian countries, further expanding the Group's product pipeline in the anti-tumor field. TAVO is expected to effectively deal with 60%-90% unresponsiveness of immunotherapy. The value of treatment market is expected to reach USD100 billion with an annual compound growth rate above 14%. The synergistic effects between TAVO and Y-90 will speed up the Group’s accession to the one-trillion-dollar market of tumor immunotherapy. The Group will make best efforts to develop itself into one of leaders in in the field of nuclear medicine and tumor immunotherapy in China.

As to respiratory illnesses, the Group owns a unique star product with annual sales of nearly RMB1 billion, and is further exploring the academic fields and application fields of the product, which is expected to be the Group’s star product which can alone generate market sales of more than RMB3 billion. In addition, the Company also has a number of reserved products, including internationally innovative products. The Group will apply experience and ability in win-win cooperation and coordinated merger to further develop more product lines in the respiratory aspect, with the goal of being the pioneer and major role in this field.

In the ENT aspect especially in the ophthalmic sector, the Group has become one of the largest suppliers in China, and several unique products have been included in the list of the Protected Varieties of Traditional Chinese Medicines (中藥品種保護目錄). In terms of innovation reserve, the dry eye disease product acquired by the Group at end of 2019 will further enrich our ophthalmic pipeline. The Group will fight for more internationally innovative products in order to enhance the ability of sustainable development in this field and maintain its market leader position.

The Group also has good results in other treatment sectors, such as the study of drugs and product reserves for rare disease in which we have started study early and making quick implementation, and thus we already have 5 products listed on the National Catalogue for Rare Disease（國家罕見病產品目錄). Currently, China has launched many supportive policies such as clinical registration facilitation, preferential tax treatment and medical insurance coverage in respect of rare disease products. The Group will keep working hard to become the forerunners in this field.

China is one of the largest markets for generic drugs, and the future development of generic drugs will rely on the core competitiveness such as integration of raw materials and preparations, and cost and expense control capability. By strictly following the strategies of extending the industry chain and promoting the integration of drug substances and pharmaceutical preparations, the Group has laid a solid foundation for the development of the Group’s generic drugs, drugs with high entry barriers and future innovative drugs and this will be essential for securing the Group’s competitive edge in generic drugs.

While treading similar paths as those in other developed countries towards development, the Chinese pharmaceutical market will continue to make advancement. However, due to the shortage of innovative ideas and talents in the pharmaceutical industry and the extensive government intervention, it may take greater efforts and longer time for the industry to become established. It will be the Group’s core concepts of future development and pathway towards a transformation from drugs with high entry barriers and branded drugs to innovative and advantageous products to attach its importance to serving patients, acting according to market demand and focusing on R&D. Our short-term development is to improve comprehensive strength and increase competitiveness in the domestic pharmaceutical market. Actively exploring overseas markets and transforming our business to international market represent a feasible medium-term development path. Investments will be made in innovative drugs to satisfy the needs of our long-term strategic development.

By fully capitalising on its integrated development edges, the Group will explore the global market, extend the market coverage and enhance the capability of international development, insist on the integrated development strategy of carrying out its own R&D, patent licensing and synergetic investment, mergers and acquisitions, operate in compliance with rules and regulations and sunshine laws, follow the rules and regulations during operation, take on social responsibility and persistently act in the interests of the patients, staff and shareholders as a whole, so as to gain the recognition of medical practitioners and patients and become one of the leading enterprises in the Chinese pharmaceutical market.

Financial Resources and Liquidity

As at 31 December 2019, the Group had current assets of HK$3,825.83 million (31 December 2018: HK$3,429.05 million) and current liabilities of HK$3,592.65 million (31 December 2018: HK$4,966.85 million). The current ratio was 1.06 at 31 December 2019 as compared with 0.69 at 31 December 2018.

The Group’s cash and bank balances as at 31 December 2019 amounted to HK$1,059.25 million (31 December 2018: HK$912.24 million), of which approximately 3.7% were denominated in Hong Kong Dollars, United States Dollars, Australian Dollars, Euro and 96.3% in Renminbi.

As at 31 December 2019, the Group had outstanding bank loans of approximately HK$2,010.16 million (31 December 2018: HK$2,134.35 million) were granted by banks in the PRC. All bank loans were denominated in RMB. The interest rates charged by banks ranged from 2.92% to 6.89% (31 December 2018: 2.92% to 6.66%) per annum, in which approximately HK$1,221.53 million bank loans were charged at fixed interest rates. Certain bank loans were pledged by assets of the Group with a net book value of HK$287.89 million (31 December 2018: HK$250.16 million). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders’ equity, was reduced to approximately 24.0% as at 31 December 2019 as compared with approximately 29.7% as at 31 December 2018.

Since the Group's principal activities are in the PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Renminbi and Hong Kong Dollars, the exposure to foreign exchange fluctuation is relatively low.

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2019, the Group did not have foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material Acquisitions and Disposals

In September 2019, the Group entered into a stock purchase agreement for the acquisition of 10,000,000 shares of OncoSec at a consideration of US$25,000,000. The transaction was completed in February 2020, and the Group owned approximately 44.0% equity interests of OncoSec.

In November 2019, the Group entered into an acquisition agreement for the acquisition of approximately 24.6% additional equity interest of Wuhan Grand Hoyo Company Limited (武漢遠大弘元股份有限公司) (the "**Grand Hoyo**"), an indirect non-wholly owned subsidiary of the Company, at a consideration of RMB73,724,700. The transaction was completed in November 2019, and the Group holds approximately 87% equity interest in Grand Hoyo.

In December 2019, the Group entered into a share subscription agreement with the BRIM Biotechnology, Inc. (the "**BRIM**"), pursuant to which the Group will subscribe 3,875,000 shares of the BRIM at a consideration of NT$155,000,000, which will be approximately 6% of the enlarged share capital of BRIM. As at the date of this announcement, the transaction was not yet completed.

Significant Investment

There was no other significant investment during the year.

Contractual and Capital Commitments

As at 31 December 2018, the Group as lessee had operating lease commitments of HK$7.03 million.

As at 31 December 2019, the Group as lessor had operating lease commitments of HK$0.52 million (2018: HK$ 0.81 million).

As at 31 December 2019, the Group had capital commitments of HK$7.65 million (2018: HK$13.47 million).

Contingent Liabilities

As at 31 December 2019, the Directors were not aware of any material contingent liabilities.

Events after the Reporting Period

Since January 2020, Wuhan City, Hubei Province, the PRC has reported certain confirmed cases of Novel Coronavirus which may affect the usual business environment of the country as a whole. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date of this announcement.

Issue of new shares and use of proceeds

On 23 June 2014, the Company entered into a subscription agreement with CDH Giant Health I Limited for the subscription of a convertible bond in an aggregate amount of HK$300.0 million. The convertible bond can be converted into ordinary share of the Company ("Shares") at the initial conversion price of HK$1.35 per Share. The net proceeds from the subscription of such convertible bond was approximately HK$297.3 million. The closing price of the Share at the date of entering the agreement (i.e. 23 June 2014, being the last trading day for the Shares before entering the agreement) was HK$1.50 each Share. On 3 June 2019, the Company received a conversion notice from the holder of the convertible bond. The convertible bond was then fully converted and 222,222,222 Shares with an aggregate nominal value of approximately HK$2,222,222 were allotted and issued to the holder of the convertible bond on 3 June 2019. The issuance of such convertible bond was initially intended to finance an acquisition of a company, but subsequently the transaction was terminated and thus the unused proceeds were already applied as the general working capital of the Group.

On 24 May 2018, the Company entered into a subscription agreement with the Shanghai China Grand Asset Finance Investment Management Co., Limited ("**Shanghai Finance**"), pursuant to which the Shanghai Finance conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, 228,148,148 subscription shares at the subscription price of HK$5.00 per subscription share (the closing price of the Share at the date of entering the agreement (i.e. 24 May 2018, being the last trading day for the Shares before entering the agreement) was HK$6.34 per Share) for a cash consideration of approximately HK$1,141 million for the settlement of consideration for the acquisition of equity interests in a company (further details can be referred to the announcement of the Company dated 24 May 2018). For the year ended 31 December 2018, the Group has received part of the subscription money amounted to approximately HK$1,038.1 million, and in aggregate 207,624,950 subscription shares with an aggregate nominal value of approximately HK$2,076,250 have been allotted and issued. The allotment and issuance of remaining 20,523,198 subscription shares with an aggregate nominal value of approximately HK$205,232 were completed on 3 May 2019 after the subscription money amounted to approximately HK$102.6 million (equivalent to the net issue price of approximately HK$5.00 per Share) received in 2019. The received money was used to settle the remaining consideration for the said acquisition.

Purchase, Sale or Redemption of Shares

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

Employees and Remuneration Policy

As at 31 December 2019, the Group employed about 8,485 staff and workers in Hong Kong and the PRC (31 December 2018: about 8,006). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

Competing Interest

Save that Mr. Liu Chengwei, the chairman and an executive director, who is a director of China Grand and a supervisor of Huadong Medicine Co., Ltd. (the "**Huadong Medicine**")(a company established in the PRC, the issued shares of which are listed on the Shenzhen Stock Exchange and owned as to approximately 41.77% by China Grand), and Dr Niu Zhanqi, an executive Director, is a director of Huadong Medicine, and thus may have interest in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group, so far as the Directors are aware of, no Directors or the management shareholders of the Company (as defined in the Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

Directors' Interests in Transaction, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by directors. Having made specific enquiry of the Company's directors, all directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the year ended 31 December 2019.

Independence of Independent Non-executive Directors

The Company has received from each independent non-executive director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive directors have confirmed that they are independent.

Code of Corporate Governance Practices

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2019.

Audit Committee

The Company has established the audit committee for the purpose of monitoring the integrity of the financial statements and overseeing the financial reporting process and the internal control system of the Group. Currently, the audit committee is chaired by independent non-executive director Ms. So Tosi Wan, Winnie and other members include the two independent non-executive directors Mr. Hu Yebi, and Dr. Pei Geng.

Review of Unaudited Annual Results

Due to the recent travel and other restrictions imposed by the Chinese government and the Hong Kong government to contain the COVID-19 outbreak, the reporting and audit processes of the Group's financial statements for the year ended 31 December 2019 has been disrupted, and the Company is unable to publish an audited annual results announcement for the year ended 31 December 2019 by 31 March 2020 in accordance with the Listing Rules. The unaudited results contained herein have not been agreed by the Company's auditors.

The Group's unaudited annual financial results for the year ended 31 December 2019 has been reviewed by the audit committee.

Further Announcement(s)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcements as and when necessary if there are other material development in the completion of the auditing process.

It is expected that the auditors' audit will resume as soon as practicable once the travel restrictions to the PRC and the quarantine arrangements are relieved. The Company expects to publish its annual report on or before 15 May 2020 if the aforesaid travel restrictions and quarantine measures are uplifted which allows sufficient time for the Company's auditors to complete the auditing process.

Remuneration Committee

The Company has established the remuneration committee to consider the remuneration of all directors and senior management of the Company. Currently, the remuneration committee is chaired by independent non-executive director Ms. So Tosi Wan, Winnie and other members include the executive director Mr. Liu Chengwei and the independent non-executive director Mr. Hu Yebi.

Nomination Committee

The Company has established the nomination committee to assist the Board in the overall management of the director nomination practices of the Company. Currently, the nomination committee is chaired by independent non-executive director Ms. So Tosi Wan, Winnie and other members include the executive director Dr. Shao Yan and the independent non-executive director Mr. Hu Yebi.

Dividend

The Board recommended the declaration and payment of a final dividend of HK$0.096 per share (the "**Final Dividend**"), which is subject to, among other things, shareholders' approval at the annual general meeting of the Company, and will be paid to the shareholders of the Company within three months from the approval of the said proposal by the annual general meeting of the Company. A notice convening the annual general meeting will be published and dispatched in the manner as required by the Listing Rules and information regarding the record date and book close date to determine the entitlement to the final dividend will be announced in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinagrandpharm.com) and the Company's 2019 Annual Report will be dispatched to Shareholders and published on the Company’s and the Stock Exchange’s websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Grand Pharmaceutical and Healthcare Holdings Limited
Liu Chengwei
Chairman

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Liu Chengwei, Mr. Hu Bo, Dr. Shao Yan and Dr. Niu Zhanqi and three independent non-executive directors, namely Ms. So Tosi Wan, Winnie, Mr. Hu Yebi and Dr. Pei Geng.

* *For identification purpose only.*