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**The United Laboratories International Holdings Limited**

**聯邦制藥國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3933)**

**2019 ANNUAL RESULTS ANNOUNCEMENT**

**FINANCIAL HIGHLIGHTS**

	<b>2019</b>	2018	<b>Increase</b>
	<b>RMB'000</b>	<i>RMB'000</i>	<b>(decrease)</b>
			<b>%</b>
Revenue	<b>8,392,600</b>	7,510,586	<b>11.7%</b>
EBITDA	<b>1,798,222</b>	1,788,400	<b>0.5%</b>
Profit before taxation	<b>841,652</b>	793,879	<b>6.0%</b>
Profit for the year attributable to owners of the Company	<b>641,764</b>	682,928	<b>(6.0%)</b>
Earnings per share (RMB cents)			
Basic	<b>39.14</b>	41.80	<b>(6.4%)</b>
Diluted	<b>39.14</b>	32.27	<b>21.3%</b>

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of The United Laboratories International Holdings Limited (the "Company" or "The United Laboratories"), I hereby present to all shareholders the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 (the "Year").

In 2019, the global economy slowed down under the influence of Brexit, China-US trade war and other factors. China's GDP was close to RMB100 trillion during the Year, growing by 6.1% as compared with 2018. In spite of the pressure of global economic slowdown and trade wars, China's macro economy still remained at a reasonable range, and indicators including consumption, investment and industry were all stable.

During the Year, the government further deepened the comprehensive reform of public hospitals, achieved positive interactions in three aspects, "medical insurance, medical treatment and pharmacy", and advanced health care reform and industry standardisation. In the meantime, the government extended the scope of drug bulky procurement, adjusted the catalog of medicines covered by national medical insurance system, and accelerated the injection consistency evaluation, all of which manifested the State's determination in promoting drug supply-side reform, deepening health care reform and improving the quality of domestic drugs. As the industry reform goes deeper, the concentration of the pharmaceutical industry will further improve, and China's generic drug sector will accelerate industrial consolidation and innovation-driven upgrading.

During the Year, the Group's revenue amounted to RMB8,392.6 million, representing an increase of approximately 11.7% over 2018. EBITDA was approximately RMB1,798.2 million, representing an increase of 0.5% as compared with last year. Profit attributable to owners of the Company was RMB641.8 million, representing a decrease of 6.0% as compared with last year. Earnings per share amounted to RMB39.14 cents. The Board proposes a final dividend of RMB7 cents per share for the year ended 31 December 2019.

The Group's finished products recorded segment revenue of RMB3,519.1 million, representing a year-on-year increase of 21.9%. In particular, insulin series continued to be the driver for the growth of finished products business, and recorded an aggregate sales revenue of approximately RMB900 million during the Year, representing an increase of approximately 30% compared with last year. Sales volume of recombinant human insulin injections and insulin glargine injections increase of 12.7% and 158.5% respectively.

The Group's other finished products maintained steady growth. In particular, Piperacillin Sodium and Tazobactam Sodium for Injection recorded an increase of 44.0% in sales revenue and securing the title of single-product sales champion of finished products. Amoxicillin capsules recorded an increase of 17.8% in sales revenue. In addition, memantine hydrochloride series, a drug to treat moderate and severe Alzheimer's disease, saw an ideal growth and recorded a year-on-year increase of 77.3% of sales revenue.

The Group's intermediate products and bulk medicine recorded segment external sales of RMB1,280.4 million and RMB3,593.1 million, respectively, representing year-on-year growth of 3.8% and 6.0% respectively. During first half of the Year, the price of semi-synthetic penicillin bulk medicine fluctuated slightly, and the price of 6-APA gradually decreased to a low level as the market supply capacity recovered, thus resulting impact on revenue and result of intermediate products segment. During the Year, the Group's overseas export sales recorded an increase of 23.7% over last year. The Group continued to occupy a leading position in the export market of intermediate products and bulk medicine, and was further listed as one of the "China Top Ten Member Exporters of APIs" again by China Chamber of Commerce for Import & Export of Medicines & Health Products.

The Group has been committed to research and development on a continual basis and currently has 29 new products under development, which is expected to further enrich the reserve of finished products. In particular, the Group has applied for production of insulin aspart injection and insulin aspart 30 injection and launched clinical trial for liraglutide injection; the clinical trial of insulin degludec injection has been approved in September 2019. Based on the increasingly perfect biological R&D platform, the Group will continue to expand its development of relevant products in the fields of internal secretion and autoimmune disease. With regard to the research and development of chemical pharmaceuticals, the Group remains focus on series of anti-HBV drugs and eye drops, and will continue to expand into new drugs.

Upholding the sustainable development idea of “environment priority”, the Group constantly increased investments in environmental protection with advanced technologies and enhanced environmental management with focus placed on the national environmental protection strategy. The “Reclaimed Water Reuse” project of The United Laboratories (Inner Mongolia) Co., Ltd. (聯邦制藥(內蒙古)有限公司) was in pilot run at the end of 2019 and will basically realise zero discharge of point source sewage in the future. In the meantime, The United Laboratories (Inner Mongolia) Co., Ltd. successfully passed the European Union GMP on-site inspection, and won opportunities for the Group in the competitive European market. In addition, Zhuhai United Laboratories Co., Ltd. (珠海聯邦制藥股份有限公司) was included in the Fourth Batch of Green Manufacturer List issued by the Ministry of Industry and Information Technology and won the national “Green Plant” award, which demonstrated the recognition of the government to the Group’s environmental protection efforts, and therefore further improved the Group’s brand image and comprehensive influence.

## *OUTLOOK*

Looking forward, the global economy will be on a downturn trend, and the COVID-19 epidemic will add greater pressure to China’s overall economy. By virtue of the special attributes of the pharmaceutical industry, the Group faces both opportunities and challenges. Driven by demands resulted from the novel coronavirus pneumonia outbreak, sales of the Group’s finished products, i.e. oral antibiotics and vitamin C effervescent tablets, increased significantly. As for the intermediate and bulk medicine business, as the epidemic spread and evolved into a worldwide pandemic, demands from domestic and overseas markets have been and are being on the rise, and prices of major intermediate and bulk medicine products stabilised and rebounded in 2020. As an enterprise that has been proactively performing its social responsibilities, the Group has cumulatively donated funds of over RMB4 million and epidemic prevention materials worth about RMB1 million to support the epidemic prevention and control. The Group will continue to contribute actively to the containment of the novel coronavirus pneumonia outbreak in China and around the world, and to the safeguard of human health.

Although the future is subject to greater macro-economic uncertainty, it is expected that China’s pharmaceutical industry will continue to steadily promote the transformation, and the structure of pharmaceutical industry will be further improved, which will leads the industry to the high-quality development stage. The Group will continue to take insulin series as its strategic category, promote further sales growth and improve its market share.

The Group will closely follow national pharmaceutical, environmental and economic and trade policies, actively seize market and industry opportunities, continuously improve the comprehensive competitiveness, accelerate the cultivation of R&D and innovation abilities, maintains its sustainable development momentum and therefore create greater benefit for shareholders, clients and stakeholders.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and business partners for their full trust and support in 2019, as well as all staff for their efforts and contributions. I hope we can join hands and create a better future together.

## 2019 ANNUAL RESULTS

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year 2018 as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	3	8,392,600	7,510,586
Cost of sales		<u>(4,771,336)</u>	<u>(4,458,446)</u>
Gross profit		3,621,264	3,052,140
Other income	4	123,059	118,925
Other gains and losses, net	5(a)	(1,773)	(121,133)
Selling and distribution expenses		(1,477,637)	(1,186,051)
Administrative expenses		(740,653)	(646,830)
Other expenses	5(b)	(386,829)	(309,922)
Impairment losses under expected credit loss model, net of reversal		(7,655)	2,106
Gain on disposal of a subsidiary		200,445	-
Loss on fair value change on investment properties		(97,614)	(94,873)
(Loss) gain on fair value change of embedded derivative components of convertible bonds		(110,117)	226,414
Finance costs	6	<u>(280,838)</u>	<u>(246,897)</u>
Profit before taxation		841,652	793,879
Tax expense	7	<u>(199,888)</u>	<u>(110,951)</u>
<b>Profit for the year attributable to owners of the Company</b>	8	<u><b>641,764</b></u>	<u><b>682,928</b></u>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		<u>(1,971)</u>	<u>615</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>639,793</b></u>	<u><b>683,543</b></u>
<b>Earnings per share (RMB cents)</b>			
<b>Basic</b>	10	<u><b>39.14</b></u>	<u>41.80</u>
<b>Diluted</b>		<u><b>39.14</b></u>	<u>32.27</u>

**Consolidated Statement of Financial Position**  
**At 31 December 2019**

	<i>Notes</i>	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>6,197,479</b>	6,494,202
Right-of-use assets		<b>232,637</b>	-
Properties held for development		-	255,723
Investment properties		-	698,424
Prepaid lease payments		-	223,186
Goodwill		<b>3,031</b>	3,031
Intangible assets		<b>137,177</b>	141,337
Deposit for acquisition of land use rights		<b>7,262</b>	7,262
Deposits for acquisition of property, plant and equipment		<b>56,427</b>	46,080
Other pledged deposits		<b>24,000</b>	20,028
Consideration receivables	12	<b>276,363</b>	-
Financial asset at fair value through profit or loss		<b>500</b>	500
Deferred tax asset		<b>51,289</b>	15,516
		<b>6,986,165</b>	7,905,289
<b>Current assets</b>			
Inventories		<b>1,575,235</b>	1,464,661
Trade and bills receivables, other receivables, deposits and prepayments	12	<b>3,241,069</b>	3,065,886
Prepaid lease payments		-	5,406
Other pledged deposits		<b>7,423</b>	26,709
Pledged bank deposits		<b>724,981</b>	555,806
Bank balances and cash		<b>3,164,819</b>	1,578,540
		<b>8,713,527</b>	6,697,008
<b>Current liabilities</b>			
Trade and bills payables, other payables and accrued charges	13	<b>3,656,456</b>	3,700,672
Contract liabilities		<b>59,733</b>	68,439
Obligations under finance leases - due within one year		-	108,572
Lease liabilities		<b>1,646</b>	-
Tax payables		<b>167,641</b>	84,338
Borrowings - due within one year		<b>2,573,398</b>	1,625,638
Bank overdraft		-	96,644
Convertible bonds		-	830,894
		<b>6,458,874</b>	6,515,197
<b>Net current assets</b>		<b>2,254,653</b>	181,811
<b>Total assets less current liabilities</b>		<b>9,240,818</b>	8,087,100

	<i>Note</i>	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>77,803</b>	296,866
Deferred income in respect of government grants	13	<b>68,085</b>	77,453
Lease liabilities		<b>117</b>	-
Obligations under finance leases - due after one year		-	7,423
Borrowings - due after one year		<b>1,414,591</b>	1,583,316
Convertible bonds		<b>1,008,433</b>	-
		<b>2,569,029</b>	1,965,058
		<b>6,671,789</b>	6,122,042
<b>Capital and reserves</b>			
Share capital		<b>15,360</b>	15,346
Reserves		<b>6,656,429</b>	6,106,696
<b>Equity attributable to owners of the Company</b>		<b>6,671,789</b>	6,122,042

**Notes:**

**1. General**

The United Laboratories International Holdings Limited (the “Company”) is a limited company incorporated in the Cayman Islands. The Company’s parent company and ultimate holding company is Heren Far East Limited, incorporated in the British Virgin Islands and is ultimately controlled by The Choy’s Family Trust. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at 6 Fuk Wang Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong.

The consolidated financial statements are presented in Renminbi (“RMB”) which is the same as the functional currency of the Company and most of its subsidiaries (the “Group”), the currency of the primary economic environment in which the principal subsidiaries of the Company operate.

## 2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

### *New and Amendments to HKFRSs that are mandatorily effective for the current year*

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

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

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

#### **2.1 HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

##### 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 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 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.

For leases that were classified as finance leases applying HKAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the leased asset and lease liability immediately before that date measured applying HKAS 17. For those leases, the Group accounted for the right-of-use asset and the lease liability applying HKFRS 16 from the date of initial application.

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:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

- ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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 rate applied by the Group is 6.25%.

	<u>Note</u>	At 1 January <u>2019</u> RMB'000
Operating lease commitments disclosed as at 31 December 2018		476
Lease liabilities discounted at relevant incremental borrowing rate		400
Add: Termination options reasonably certain not to be exercised		2,910
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		3,310
Add: Obligations under finance leases recognised at 31 December 2018	(b)	115,995
Lease liabilities as at 1 January 2019		<u>119,305</u>
Analysed as		
Current		110,119
Non-current		9,186
		<u>119,305</u>

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

	<u>Notes</u>	At 1 January <u>2019</u> RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		3,310
Reclassified from prepaid lease payments	(a)	228,592
Amounts included in property, plant and equipment under HKAS 17		
- Assets previously under finance leases	(b)	275,701
		<u>507,603</u>

- (a) Upfront payments for leasehold lands in the PRC 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 RMB5,406,000 and RMB223,186,000, respectively were reclassified to right-of-use assets.
- (b) In relation to assets previously under finance leases, carrying amounts of the obligations under finance leases of RMB108,572,000 and RMB7,423,000 as current and non-current liabilities respectively and the related assets of RMB275,701,000 as at 31 December 2018 were reclassified to current and non-current lease liabilities as well as the right-of-use assets respectively as at 1 January 2019.



- (c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and adjusted to reflect the discounting effect at transition. However, no adjustment is made as the directors of the Company consider that the discounting effect is not significant to the consolidated financial statements upon the application of HKFRS 16.

### Sales and leaseback transactions

#### The Group acts as seller-lessee

In accordance with the transition provisions of HKFRS 16, sales 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 current year, the Group entered into sales and leaseback transactions in relation to certain plant and machinery and the transactions do not satisfy the requirements as sales. Accordingly, the Group accounted for the transfer proceeds of RMB400,000,000 as borrowings within the scope of HKFRS 9.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
<b>Non-current Assets</b>				
Property, plant and equipment	(b)	6,494,202	(275,701)	6,218,501
Right-of-use assets	(a)&(b)	-	507,603	507,603
Prepaid lease payments	(a)	223,186	(223,186)	-
<b>Current Assets</b>				
Prepaid lease payments	(a)	5,406	(5,406)	-
<b>Current Liabilities</b>				
Lease liabilities	(b)	-	(110,119)	(110,119)
Obligations under finance leases	(b)	(108,572)	108,572	-
<b>Non-current liabilities</b>				
Lease liabilities	(b)	-	(9,186)	(9,186)
Obligations under finance leases	(b)	(7,423)	7,423	-

### 3. Revenue and segment information

The Group is currently organised into three revenue streams, including Intermediate products; Bulk medicine; and Finished products.

The three revenue streams are the operating and reportable segments of the Group on which the Group reports its primary segment information.

(a) Segment revenue and results:

Year ended 31 December 2019

	Intermediate products <i>RMB '000</i>	Bulk medicine <i>RMB '000</i>	Finished products <i>RMB '000</i>	Segment total <i>RMB '000</i>	Elimination <i>RMB '000</i>	Consolidated <i>RMB '000</i>
<b>REVENUE</b>						
External sales	1,280,352	3,593,112	3,519,136	8,392,600	-	8,392,600
Inter-segment sales	1,516,838	533,695	-	2,050,533	(2,050,533)	-
Segment revenue	<u>2,797,190</u>	<u>4,126,807</u>	<u>3,519,136</u>	<u>10,443,133</u>	<u>(2,050,533)</u>	<u>8,392,600</u>
<b>RESULT</b>						
Segment profit	<u>87,344</u>	<u>235,943</u>	<u>783,500</u>			1,106,787
Unallocated other income						108,873
Unallocated corporate expenses						(98,522)
Other gains and losses, net						12,638
Loss on fair value change of embedded derivative components of convertible bonds						(110,117)
Gain on disposal of a subsidiary						200,445
Loss on fair value change on investment properties						(97,614)
Finance costs						<u>(280,838)</u>
Profit before taxation						<u>841,652</u>

Year ended 31 December 2018

	Intermediate products <i>RMB '000</i>	Bulk medicine <i>RMB '000</i>	Finished products <i>RMB '000</i>	Segment total <i>RMB '000</i>	Elimination <i>RMB '000</i>	Consolidated <i>RMB '000</i>
<b>REVENUE</b>						
External sales	1,233,625	3,389,710	2,887,251	7,510,586	-	7,510,586
Inter-segment sales	1,617,804	423,009	-	2,040,813	(2,040,813)	-
Segment revenue	<u>2,851,429</u>	<u>3,812,719</u>	<u>2,887,251</u>	<u>9,551,399</u>	<u>(2,040,813)</u>	<u>7,510,586</u>
<b>RESULT</b>						
Segment profit	<u>287,120</u>	<u>105,193</u>	<u>615,374</u>			1,007,687
Unallocated other income						107,539
Unallocated corporate expenses						(84,858)
Other gains and losses, net						(121,133)
Gain on fair value change of embedded derivative components of convertible bonds						226,414
Loss on fair value change on investment properties						(94,873)
Finance costs						<u>(246,897)</u>
Profit before taxation						<u>793,879</u>

(b) Geographical information

The revenue by geographical market (irrespective of the origin of the goods) based on the location of the customers are presented below:

	Revenue from external customers	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
PRC (country of domicile)	5,957,571	5,541,842
Europe	642,620	570,821
India	833,723	532,060
Hong Kong	87,943	33,601
Middle East	44,353	48,234
South America	234,337	151,704
Other Asian regions	366,692	421,675
Other regions	225,361	210,649
	<b>8,392,600</b>	<b>7,510,586</b>

4. Other income

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Bank interest income	51,156	22,636
Sales of scrap materials	11,886	7,282
Subsidy income (Note)	40,041	69,556
Sundry income	19,976	19,451
	<b>123,059</b>	<b>118,925</b>

Note: Subsidy income includes government grants from the PRC government which are specifically for (i) capital expenditure incurred for plant and machinery, which are recognised as income over the useful life of related assets; (ii) incentives and other subsidies for research and development activities, which are recognised upon meeting the specific conditions; and (iii) incentives which have no specific conditions attached to the grants.

## 5. Other gains and losses/other expenses

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
(a) Other gains and losses, net		
Impairment loss recognised on intangible assets	-	17,960
Loss on derivative financial instrument (Note)	<b>1,640</b>	3,813
Reversal of write-down of deposits for property, plant and equipment	<b>(7,237)</b>	-
Net loss on disposal of property, plant and equipment	<b>14,411</b>	29,529
Net foreign exchange (gain) loss	<b>(7,079)</b>	70,005
Others	<b>38</b>	(174)
	<b>1,773</b>	121,133
(b) Other expenses		
Research and development costs	<b>367,968</b>	283,224
Temporary production suspension costs	<b>6,478</b>	11,263
Tax penalty	<b>4,312</b>	7,700
Others	<b>8,071</b>	7,735
	<b>386,829</b>	309,922

Note: During the years ended 31 December 2019 and 2018, the Group had entered into several foreign currency forward contracts with banks and financial institutions to reduce its exposure to foreign currency risks. These derivatives were not accounted for under hedge accounting. There were no outstanding foreign currency forward contracts held by the Group as at 31 December 2019 and 2018.

## 6. Finance costs

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Interest on borrowings	<b>185,240</b>	160,480
Interest on convertible bonds	<b>97,356</b>	88,648
Interest on finance leases	-	19,748
Interest on lease liabilities	<b>2,551</b>	-
	<b>285,147</b>	268,876
Less: amounts capitalised in property, plant and equipment	<b>(4,309)</b>	(21,979)
	<b>280,838</b>	246,897

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.47% (2018: 6.81%) per annum to expenditure on qualifying assets.

## 7. Tax expenses

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
The tax charges (credit) comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	209,209	130,601
PRC withholding tax on distributed profits of PRC subsidiaries	32,500	47,500
	241,709	178,101
Underprovision in prior year		
Hong Kong Profits tax	(3,067)	-
PRC EIT	3,397	-
	330	-
Deferred tax credit	(42,151)	(67,150)
	199,888	110,951

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime are applicable to the Hong Kong subsidiaries for its annual reporting periods beginning on or after 1 January 2018. No Hong Kong Profits Tax has been recognised as its subsidiaries incorporated in Hong Kong had no assessable profits for both years.

PRC EIT is calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC EIT law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007, respectively, the tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1 January 2008. Besides, with effect from 1 January 2008, if the subsidiaries are qualified as high-technology companies (under the new PRC EIT Law), the subsidiaries are entitled to a reduced rate of 15% and such qualification is subject to renewal for every three years. Certain of group entities in the PRC are entitled to the reduced tax rate of 15% for 2019 and 2018.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No.1, dividend distributed out of the profits generated since 1 January 2008 by a PRC entity to a non-PRC tax resident shall be subject to the PRC EIT pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. The withholding tax rate applicable to the Group is 5%. As at 31 December 2019 and 31 December 2018, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

## 8. Profit for the year

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	4,865	4,575
Depreciation		
Depreciation of right-of-use assets	74,698	-
Depreciation of property, plant and equipment	588,427	728,755
Less: amount included in research and development expenditures	(33,470)	(30,125)
Less: amount included in temporary production suspension costs in other expenses	(1,476)	(2,866)
	<b>628,179</b>	695,764
Amortisation		
Intangible assets (included in cost of sales)	12,607	12,284
Prepaid lease payments	-	6,585
	<b>12,607</b>	18,869
Minimum lease payments in respect of rented premises	-	429
Staff costs, including directors' emoluments		
Salaries and other benefits costs	1,069,640	956,203
Retirement benefit costs	119,944	99,957
	<b>1,189,584</b>	1,056,160
Less: amount included in research and development expenditures	(93,362)	(54,733)
Less: amount included in temporary production suspension costs in other expenses	(586)	(1,327)
	<b>1,095,636</b>	1,000,100
Write-down (reversal of write-down) of inventories, net (included in cost of sales)	8,825	(7,797)
Cost of inventories recognised as expenses	<b>4,771,336</b>	4,458,446

## 9. Dividends

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year		
2018 final dividend RMB6 cents (2018: 2017 final dividend of RMB5 cents) per share	98,383	84,443

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB7 cents (2018: RMB6 cents) per ordinary share, in an aggregate amount of RMB115,151,000 (2018: RMB98,383,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 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:

### Earnings

	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
Earnings for the purposes of basic earnings per share being profit for the year attributable to owners of the Company	<b>641,764</b>	682,928
Effect of dilutive potential ordinary shares:		
Effect on convertible bonds	<u>-</u>	<u>(91,031)</u>
Earnings for the purposes of diluted earnings per share being profit for the year attributable to owners of the Company	<b><u>641,764</u></b>	<b><u>591,897</u></b>

### Number of shares

	<b>2019</b> <b>'000</b>	2018 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,639,725</b>	1,633,778
Effect of dilutive potential ordinary shares:		
Effect on convertible bonds	<u>-</u>	<u>200,570</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>1,639,725</u></b>	<b><u>1,834,348</u></b>

The computation of diluted earnings per share for the year ended 31 December 2019 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

## 11. Property, plant and equipment

During the year, the Group spent approximately RMB379,872,000 (2018: RMB452,969,000) on the acquisition of property, plant and equipment, in order to upgrade its manufacturing capabilities.

## 12. Trade and bills receivables, other receivables, deposits and prepayments

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables	1,241,536	1,134,749
Bills receivables	1,354,984	1,854,888
Consideration receivables	773,693	-
Value added tax receivables	59,045	27,141
Other receivables, deposits and prepayments	127,758	81,037
Less: Allowance for credit losses		
- trade	(23,167)	(25,518)
- non-trade	(16,417)	(6,411)
	<u>3,517,432</u>	<u>3,065,886</u>
Less: Amount due within one year	<u>(3,241,069)</u>	<u>(3,065,886)</u>
Amount due after one year	<u><u>276,363</u></u>	<u><u>-</u></u>

As at 1 January 2018, carrying amount of trade receivables from contracts with customers amounted to RMB 1,066,835,000.

The Group normally allows a credit period of 60 days on average (2018: 60 days on average) to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group. The bills receivables have a general maturity period of between 90 days and 180 days.

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on dates of goods receipt, which is the same as revenue recognition date, and an analysis of bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date, at the end of the reporting period:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables		
0 to 30 days	697,533	392,207
31 to 60 days	306,184	460,665
61 to 90 days	127,859	176,782
91 to 120 days	67,030	46,778
121 to 180 days	19,763	32,799
	<u>1,218,369</u>	<u>1,109,231</u>
Bills receivables		
0 to 30 days	345,572	427,028
31 to 60 days	188,439	316,823
61 to 90 days	216,072	325,024
91 to 120 days	209,528	302,806
121 to 180 days	363,268	460,105
Over 180 days	32,105	23,102
	<u>1,354,984</u>	<u>1,854,888</u>



### 13. Trade and bills payables, other payables and accrued charges

The Group normally receives credit terms of up to 120 days and 180 days of trade payables and bills payables, respectively, from its suppliers. The following is an analysis of the trade and bills payables by age, presented based on the invoice date or bills issuance date at the end of the reporting period:

	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables		
0 to 90 days	<b>726,116</b>	839,253
91 to 180 days	<b>172,467</b>	440,247
Over 180 days	<b>30,508</b>	27,637
	<b><u>929,091</u></b>	<u>1,307,137</u>
Bills payables		
0 to 90 days	<b>797,167</b>	563,778
91 to 180 days	<b>543,136</b>	410,836
Over 180 days	<b>13,773</b>	-
	<b><u>1,354,076</u></b>	<u>974,614</u>
Other payables and accruals	<b>936,376</b>	1,041,738
Deferred income in respect of government grants	<b>125,934</b>	128,302
Payables in respect of the acquisition of property, plant and equipment	<b>379,064</b>	326,334
	<b>3,724,541</b>	3,778,125
Less: Amount due within one year shown under current liabilities	<b><u>(3,656,456)</u></b>	<u>(3,700,672)</u>
Amount shown under non-current liabilities	<b><u>68,085</u></b>	<u>77,453</u>

Included in the trade payables, other payables and payables in respect of the acquisition of property, plant and equipment above are RMB153,229,000, RMB38,597,000 and RMB28,872,000 (2018: RMB26,185,000, RMB413,425,000 and RMB82,956,000), respectively which had been settled by endorsed bills for which the maturity dates of the bills receivables have not yet fallen due as at the end of the reporting period.

### 14. Capital commitments

As at 31 December 2019, the Group had capital commitments in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to RMB369,170,000 (2018: RMB633,246,000).

### 15. Pledge of assets

Other than deposits made to financing institutions with carrying amount of RMB31,423,000 (2018: RMB46,737,000) as at 31 December 2019, the Group had also pledged the following assets to banks as securities against banking facilities granted to the Group at the end of the reporting period:

	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Property, plant and equipment	<b>545,169</b>	576,407
Rights-of-use assets	<b>183,013</b>	-
Land use rights	-	44,491
Bills receivables	<b>61,793</b>	373,657
Pledged bank deposits	<b>724,981</b>	555,806

## 16. Related party transaction

The Group's key management personnel are all directors of the Company, including chief executives, and the remuneration to the directors of the Company during the year is as follows:

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Fees	<b>612</b>	702
Salaries and other benefits	<b>16,206</b>	16,206
Retirement benefits scheme contribution	<b>142</b>	127
	<b>16,960</b>	17,035

## 17. Events after the reporting period

### (a) Impact of Novel Coronavirus ("COVID-19") to the Group

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Up to the date of authorisation for issue of financial statements, COVID-19 has not resulted in material impact to the Group's operations. The productions of the Group have been resumed gradually in late February 2020. The Management at present expects that there should be no material adverse impact to the Group's financial position and operations for the year 2020.

The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operations of the Group.

### (b) Settlement of Corporate Bonds

Subsequent to the end of reporting period, Corporate bonds of RMB1,095,418,000 was fully settled on 24 February 2020.

### (c) Conversion of Convertible Bonds

Subsequent to the end of reporting period, the Company received a notice from a bondholder for the conversion of bonds with fixed principal amount of USD2,224,000 (equivalent to approximately RMB17,250,009) into 3,654,663 ordinary shares of HK\$0.01 each at a conversion price of HK\$4.72 per conversion share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Business Review and Financial Results*

For the year ended 31 December 2019, the Group's revenue was approximately RMB8,392.6 million, an increase of 11.7% as compared with last year. The profit attributable to shareholders for the year ended 31 December 2019 was approximately RMB641.8 million while the profit for the year ended 31 December 2018 was approximately RMB682.9 million, representing a slightly decrease of 6.0%.

During the year, segmental revenue (including inter-segment sales) of bulk medicine and finished products increased by 8.2% and 21.9% respectively as compared with last year. Segmental result of bulk medicine and finished products increased by 124.3% and 27.3% respectively as compared with last year. Segmental revenue and result of intermediate products decreased by 1.9% and 69.6% respectively as compared with last year.

The fair value change of embedded derivative components of convertible bonds records a loss of approximately RMB110.1 million is mainly due to fluctuation in the share price of the Company during the year. Fair value loss of investment properties located in Chengdu amounted to RMB97.6 million (2018: RMB94.9 million).

During the year, the Group also recorded a gain of RMB200.4 million on disposal of a subsidiary, 聯邦制藥(成都)有限公司(United Laboratories (Chengdu) Limited).

The Group's operations during the year are summarised as follows:

#### Intermediate Products and Bulk Medicine

The Group's intermediate products and bulk medicine recorded segment external sales of RMB1,280.4 million and RMB3,593.1 million, respectively, representing year-on-year growth of 3.8% and 6.0% respectively. During first half of the Year, the price of semi-synthetic penicillin bulk medicine fluctuated slightly, and the price of 6-APA gradually decreased to a low level as the market supply capacity recovered, thus resulting impact on revenue and result of intermediate products segment. In respect of export, in the face of the challenges in the international pharmaceutical bulk medicine market and the slower growth of China's imports and exports, the Group continued to optimise its product mix, deepen its development of global key pharmaceutical markets, and adhered to the international development, resulting in steady growth in export sales. During the year, the Group's overseas export recorded a sales revenue of RMB2,435.0 million, representing an increase of 23.7% over last year.

#### Finished Products

During the year, the Group's finished products business maintained continued growth and records a segment revenue of approximately RMB3,519.1 million, representing an increase of 21.9%, and segment profit of approximately RMB783.5 million, representing an increase of 27.3%. The increase in segment profits is contributed from change of product mix during the year with increase in sales of products with higher margin.

The Group's other finished products maintained steady growth. In particular, Piperacillin Sodium and Tazobactam Sodium for Injection (trade name: “聯邦他唑仙”) witnessed outstanding sales performance and recorded sales revenue of RMB694.9 million during the Year, representing a year-on-year increase of 44.0% and securing the title of single-product sales champion of finished products. Amoxicillin capsules (trade name: “聯邦阿莫仙”) recorded sales revenue of RMB531.5 million, representing a year-on-year increase of 17.8%. In addition, memantine hydrochloride series, a drug to treat moderate and severe Alzheimer's disease, (trade name: “邦得清”) saw an ideal growth and recorded sales revenue of RMB78.6 million during the Year, representing a year-on-year increase of 77.3%.

The Group's insulin series products continued to be the major driving force of the growth of finished products. Recombinant insulin injections (trade name: "USLIN") realised sales volume of 16,829,000 vials, representing a year-on-year increase of 12.7%, and recorded sales revenue of RMB686.9 million, booking a growth higher than the industry average level. Insulin glargine injections (trade name: "United Laboratories USLEN") realised sales volume of 1,612,000 vials, representing a significant year-on-year increase of 158.5%, and recorded sales revenue of RMB222.7 million. Currently, insulin glargine products of the Group have won the tender through bidding in 25 provinces.

### Research and Development

The Group has been committed to research and development on a continual basis. The expenditure on R&D for current year amounted to approximately RMB368.0 million representing 29.9% increase as compared with last year. The Group currently has 29 new products under development, which is expected to further enrich the reserve of finished products. In particular, the Group has applied for production of insulin aspart injection and insulin aspart 30 injection and launched clinical trial for liraglutide injection; the clinical trial of insulin degludec injection has been approved in September 2019. Based on the increasingly perfect biological R&D platform, the Group will continue to expand its development of relevant products in the fields of internal secretion and autoimmune disease. With regard to the research and development of chemical pharmaceuticals, the Group remains focus on series of anti-HBV drugs and eye drops, and will continue to expand into new drugs.

### Sales Team and Marketing

In order to effectively improve the management of grassroots diabetes prevention and treatment and promote the implementation of the grading diagnosis and treatment system, during the Year, the Group emphasised on support for the "Double-Excellence Action – Grassroots Diabetes Prevention and Treatment Management Training Course" project. During the Year, the "Double-Excellence Action" project has cumulatively organised 21 sessions in 20 cities across the country for more than 8,000 grassroots medical personnel, and was highly praised by experts and medical personnel who had participated in it. The Group plans to further promote the "Double-Excellence Action" and build an academic communication and interaction platform to facilitate the standardisation of grassroots diabetes diagnosis and treatment and to actively guard the health of patients. At the same time, the Group has formulated a county expansion plan for the sales team of finished products and will gradually implement it. In the future, the Group will accelerate the promotion of terminal coverage and maintain a balanced and healthy development of various markets. The Group will be committed to supporting professional sales and promotion with an academic system and continuing to provide high-quality products and services to the pharmaceutical market.

### Optimising Financing Structure

During the year, the Group continued to optimised its financial structure and improve the liquidity to ensure adequate working capital. In September 2019, the Group was provided with a 5-years loan facility of HK\$300,000,000 by China Development Bank Hong Kong Branch for the "Reclaimed Water Reuse" project of The United Laboratories (Inner Mongolia) Co., Ltd. In addition, in November 2019, the Company entered into a syndicated loan agreement for the dual currency 3-years loan facilities in the amount equivalent to up to HK\$2 billion. The loan facilities have been drawn successively, mainly used for repayment of bank loans and replenishment of the Company's liquidity. In February 2020, the Group fully repaid the RMB1,100,000,000 Corporate Bonds issued in China. In August 2019, United Laboratories (Hong Kong) (a wholly-owned subsidiary of the Company) and Evergrande (Chengdu) entered into the Investment and Cooperation Agreement with respect to the equity interest of United Laboratories (Chengdu) and development of the Land, and realised a gain of RMB200.4 million. As at 31 December 2019, bank balances and cash of the Group amounted to approximately RMB3,164.8 million (2018: RMB1,578.5 million). As at 31 December 2019, the Group's net gearing ratio was further decreased to 36.41%.

### ***Liquidity and Financial Resources***

As at 31 December 2019, the Group had pledged bank deposits and cash and bank balances amounted to approximately RMB3,889.8 million (2018: RMB2,134.3 million).

As at 31 December 2019, the Group had interest-bearing borrowings and bank overdraft of approximately RMB3,988.0 million (2018: RMB3,305.6 million), which were denominated in Hong Kong dollars, Renminbi, Euro and United States dollars with maturity within five years. Borrowings of approximately RMB2,057.2 million are fixed rates loans while the remaining balance of approximately RMB1,930.8 million is at floating rates. The directors expect that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 31 December 2019, current assets of the Group amounted to approximately RMB8,713.5 million (2018: RMB6,697.0 million). Net current assets increased from RMB181.8 million at 31 December 2018 to RMB2,254.7 million as at 31 December 2019. The Group's current ratio was approximately 1.35 as at 31 December 2019, as compared with 1.03 as at 31 December 2018. The short term financial position is improved significantly. As at 31 December 2019, the Group had total assets of approximately RMB15,699.7 million (2018: RMB14,602.3 million) and total liabilities of approximately RMB9,027.9 million (2018: RMB8,480.3 million), representing a net gearing ratio (calculated as total borrowings, bank overdraft, bills payables, obligations under finance leases and convertible bonds less other pledged deposits, pledged bank deposits, and cash and bank balances to total equity) of 36.41% as at 31 December 2019, as compared with 49.75% as at 31 December 2018.

### ***Currency Exchange Exposures***

The Group's purchases and sales are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The operating expenses of the Group are mainly denominated in Renminbi and Hong Kong dollars. The Group's borrowings are denominated in Hong Kong dollars, Renminbi, Euro and United States dollars. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

### ***Contingent Liabilities***

As at 31 December 2019 and 2018, the Group had no material contingent liabilities.

### ***Outlook for 2020***

Looking forward, the global economy will be on a downturn trend, and the COVID-19 epidemic will add greater pressure to China's overall economy. By virtue of the special attributes of the pharmaceutical industry, the Group faces both opportunities and challenges. Driven by demands resulted from the novel coronavirus pneumonia outbreak, sales of the Group's finished products, i.e. oral antibiotics and vitamin C effervescent tablets, increased significantly. As for the intermediate and bulk medicine business, as the epidemic spread and evolved into a worldwide pandemic, demands from domestic and overseas markets have been and are being on the rise, and prices of major intermediate and bulk medicine products stabilised and rebounded in 2020. In response to the country's call for resumption of work and production by enterprises required for epidemic containment, the Group organised employees to resume work efficiently and orderly according to its actual situation, and strictly ensured product quality, to actively cater for market demands. In order to ensure the supply of medicines for epidemic containment purpose, the Group provided epidemic containing medicines to Hubei and other regions as soon as possible. As at the end of February 2020, the Group has basically resumed to normal work in an all-round manner with stable operation and sound turnover of funds. As an enterprise that has been proactively performing its social responsibilities, the Group has cumulatively donated funds of over RMB4 million and epidemic prevention materials worth about RMB1 million to support the epidemic prevention and control. The Group will continue to contribute actively to the containment of the novel coronavirus pneumonia outbreak in China and around the world, and to the safeguard of human health.

Although the future is subject to greater macro-economic uncertainty, it is expected that China's pharmaceutical industry will continue to steadily promote the transformation, and the structure of pharmaceutical industry will be further improved, which will lead the industry to the high-quality development stage. The Group will continue to take insulin series as its strategic category, promote further sales growth and improve its market share. In addition, the Group will make balanced development as the top priority, continue to strengthen the building of academic platform through improving the management system, thus realising the all-round, balanced sustainable development of product, market, and sales team. As centralised drug procurement gradually runs into a normal and integration of the industry structure accelerated, the Group will continue to monitor the development of pharmaceutical policies and participate in a timely manner. At the same time, it will increase its development efforts on and coverage over the out-of-hospital market, in cooperation with the ongoing county-level expansion plan of the finished product sales team. The Group will actively promote the ongoing research projects on diabetes and new drugs to further enrich its finished product reserve. As the market competition becomes less intense and the demands rise, prices of major products under the intermediate products and bulk medicine business will stabilise and rebound in 2020. In the future, following the industrial trend of segment integration among the intermediate product segment, the bulk medicine segment and the finished products segment, the Group will keep on optimizing its product offerings and capitalise on its industrialised operation strength resulted from vertical integration.

### ***Employees and Remuneration***

As at 31 December 2019, the Group had approximately 13,000 (2018: 12,200) employees in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

### **CORPORATE GOVERNANCE**

The Company is committed to ensure high standards of corporate governance in the interest of its shareholders.

The Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

#### **- Code Provision A.2.1**

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the year ended 31 December 2019, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

#### **- Code Provision A.6.7**

Code provision A.6.7 of the CG Code stipulates that the non-executive directors should attend general meetings of the Company. Independent non-executive directors, Prof. Song Ming and Ms. Fu Xiao Nan were unable to attend the annual general meeting of the Company held on 4 June 2019 due to their other important engagements.

### **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the year covered by this announcement.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee comprises of three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Ms. Fu Xiao Nan. The Audit Committee has reviewed with the management of the Company the consolidated financial statements for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises (1) Mr. Tsoi Hoi Shan, Mr. Leung Wing Hon, Ms. Choy Siu Chit, Mr. Fang Yu Ping, Ms. Zou Xian Hong and Ms. Zhu Su Yan as executive directors; and (2) Mr. Chong Peng Oon, Prof. Song Ming and Ms. Fu Xiao Nan as independent non-executive directors.

On behalf of the Board  
**Tsoi Hoi Shan**  
*Chairman*

Hong Kong, 30 March 2020