Sinco Pharmaceuticals Holdings Limited
兴科蓉医药控股有限公司
(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock Code: 6833)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2020 was approximately RMB2,049.8 million, increased by approximately 74.2% as compared to approximately RMB1,176.4 million for the year ended 31 December 2019.
- Gross profit of the Group for the year ended 31 December 2020 increased by RMB54.0 million to RMB273.8 million (2019: RMB219.8 million), while gross profit margin decreased from 18.7% in 2019 to 13.4% for the Reporting Period. The increase in gross profit was in line with the increase of the revenue.
- Net profit of the Group increased by 400.4% to RMB118.1 million for the Reporting Period (2019: RMB23.6 million), primarily due to the increase in gross profit of the Group and the large decrease in selling and distribution expenses, administrative expenses and financial cost.
- During the Reporting Period, net profit attributable to owners of the Company amounted to RMB118.1 million (2019: RMB23.6 million), representing an increase in net profit by RMB94.5 million.
- Basic and diluted earnings per share for the year ended 31 December 2020 amounted to RMB0.070 (2019: RMB0.014).
- The Board does not recommend the payment of dividend for the Reporting Period (2019: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Sinco Pharmaceuticals Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated results of the Group for the year ended 31 December 2020 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2019, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000* (Restated)
REVENUE	*2*	**2,049,803**	1,176,409
Cost of sales		**(1,775,977)**	(956,562)
Gross profit		**273,826**	219,847
Other income and gains	*3*	**13,669**	15,055
Selling and distribution expenses		**(89,836)**	(114,536)
Administrative expenses		**(40,552)**	(45,805)
Reversal of/(provision for) impairment loss on trade receivables	*14*	**350**	(1,326)
Reversal of/(provision for) impairment loss on financial assets included in prepayments, other receivables and other assets	*15*	**(48)**	54
Other expenses		**(12,657)**	(10,308)
Finance costs	*4*	**(8,797)**	(20,026)
PROFIT BEFORE TAX	*5*	**135,955**	42,955
Income tax expense	*6*	**(17,818)**	(19,405)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**118,137**	23,550
Attributable to:			
Owners of the Company		**118,137**	23,552
Non-controlling interests		**–**	(2)
		118,137	23,550
Earnings per share attributable to ordinary equity holders of the parent:			
Basic	*8*		
– For profit for the year *(RMB)*		**0.070**	0.014
Diluted	*8*		
– For profit for the year *(RMB)*		**0.070**	0.014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**188,249**	196,993
Investment property	*10*	**6,679**	7,133
Right-of-use assets	*11(a)*	**49,934**	1,041
Intangible assets		**22**	45
Payments in advance		**796**	508
Deferred tax assets	*12*	**646**	721
Total non-current assets		**246,326**	206,441
CURRENT ASSETS			
Inventories	*13*	**242,561**	259,266
Trade and bills receivables	*14*	**578,687**	30,710
Prepayments, other receivables and other assets	*15*	**40,714**	109,181
Other financial assets measured at amortised cost		**–**	1,990
Pledged deposits	*16*	**–**	5,001
Cash and cash equivalents	*16*	**143,765**	219,755
Total current assets		**1,005,727**	625,903
CURRENT LIABILITIES			
Trade payables	*17*	**700,320**	300,466
Contract liabilities	*18*	**27,806**	38,582
Other payables and accruals	*19*	**161,946**	116,876
Interest-bearing bank and other borrowings	*20*	**77,986**	187,484
Tax payable		**21,999**	11,361
Lease liabilities	*11(b)*	**736**	1,022
Total current liabilities		**990,793**	655,791
NET CURRENT ASSETS/(LIABILITIES)		**14,934**	(29,888)
TOTAL ASSETS LESS CURRENT LIABILITIES		**261,260**	176,553

	Notes	**2020**	2019
		RMB'000	*RMB'000*
			(Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*20*	**3,042**	–
Other payables and accruals	*19*	**93,422**	130,107
Leases liabilities	*11(b)*	**367**	154
Total non-current liability		**96,831**	130,261
NET ASSETS		**164,429**	46,292
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*21*	**136**	136
Reserves		**165,201**	47,064
		165,337	47,200
Non-controlling interests		**(908)**	(908)
TOTAL EQUITY		**164,429**	46,292

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**135,955**	42,955
Adjustments for:			
Depreciation of property, plant and equipment	*9*	**7,804**	9,213
Depreciation of investment property	*10*	**454**	114
Depreciation of right-of-use assets	*11*	**1,138**	1,006
Amortisation of intangible assets		**23**	68
Unrealised foreign exchange gains		**1,100**	(63)
Imputed discount on deposit received	*3*	**(8,510)**	–
Losses on disposal of items of property, plant and equipment		**–**	39
Interest income from financial assets at fair value through profit or loss	*3*	**(615)**	–
Interest income from financial assets measured at amortised cost	*3*	**(39)**	–
Equity-settled share option expense		**–**	19
Finance costs	*4*	**8,797**	20,026
Bank interest income	*3*	**(1,295)**	(311)
Write-off of inventories	*5*	**–**	106
Write-down of inventories to net realisable value	*5*	**3,248**	–
Provision for/(reversal of) impairment loss on trade receivables	*14*	**(350)**	1,326
Provision for/(reversal of) impairment loss on financial assets included in prepayments, other receivables and other assets	*15*	**48**	(54)
		147,758	74,444
Increase in trade and bills receivables		**(547,627)**	(5,859)
Decrease in prepayments, other receivables and other assets		**25,852**	26,197
Decrease/(increase) in inventories		**13,457**	(44,566)
Decrease/(increase) in payments in advance		**(288)**	7,819
Increase in trade payables		**399,854**	193,565
Increase/(decrease) in other payables and accruals		**114,880**	(160,104)
Decrease in contract liabilities		**(10,776)**	(91,947)
Cash generated from operations		**143,110**	(451)
Interest received		**1,295**	311
Tax paid		**(7,105)**	(9,408)
Net cash flows from/(used in) operating activities		**137,300**	(9,548)

	Notes	**2020** *RMB'000*	2019 *RMB'000* (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(372)**	(555)
Addition of leasehold land		**(49,114)**	–
Purchase of wealth management products classified as financial assets at fair value through profit or loss		**(164,000)**	–
Redemption of wealth management products classified as financial assets at fair value through profit or loss		**164,000**	–
Purchase of wealth management products classified as financial assets measured at amortised cost		**–**	(21,990)
Redemption of wealth management products classified as financial assets measured at amortised cost		**–**	20,000
Interest income from financial assets at fair value through profit or loss	*3*	**615**	–
Interest income from financial assets measured at amortised cost	*3*	**39**	–
Redemption of financial asset measured at amortised cost		**1,990**	–
Net cash flows used in investing activities		**(46,842)**	(2,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(990)**	(871)
Interest portion of lease payments	*11*	**(95)**	(92)
Interest paid		**(6,770)**	(10,785)
Proceeds from bank and other borrowings		**120,330**	47,484
Repayment of bank and other borrowings		**(226,312)**	(5,000)
Increase/(decrease) in other payables and accruals		**(98,605)**	193,272
Increase/(decrease) in prepayments, other receivables and other assets		**42,567**	(67,565)
Net cash flows from/(used in) financing activities		**(169,875)**	156,443
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(79,417)**	144,350
Effect of foreign exchange rate changes, net		**(1,574)**	63
Cash and cash equivalents at beginning of year		**224,756**	80,343
CASH AND CASH EQUIVALENTS AT END OF YEAR		**143,765**	224,756
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*16*	**143,765**	219,755
Time deposits with original maturity of less than three months when acquired, pledged as security for letters of credit	*16*	**–**	5,001
Cash and cash equivalents as stated in the statement of cash flows		**143,765**	224,756

NOTES TO FINANCIAL STATEMENTS

1.1 CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 16 March 2015. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is Room 2403, Wing On Centre, 111 Connaught Road Central, Hong Kong with effect from 20 November 2020.

During the Reporting Period, the Group was principally engaged in marketing, promotion and channel management services for improved human plasma-based pharmaceuticals, antibiotics and other pharmaceuticals focused on therapeutic areas and complementary to human plasma-based products and other fast-growing categories in Mainland China. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, Risun Investments Limited ("**Risun**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the parent and the ultimate holding company of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Starwell Group Holding Limited	26 November 2013 BVI	US$50,000	100	–	Investment holding
Bright Ritzy Limited	5 August 2016 BVI	US$1	100	–	Investment holding
Chengdu Sinco Pharmaceuticals Co., Ltd. 成都興科蓉醫藥有限公司(i)	17 February 2011 PRC/Mainland China	US$10,000,000	100	–	Sale of pharmaceutical products
Hong Kong Prosperous Group Holding Limited 香港恒盛集團控股有限公司	20 December 2013 Hong Kong	HK$100	–	100	Sale of pharmaceutical products
Glorious Empire Limited 曄煜有限公司	26 August 2016 Hong Kong	HK$1	–	100	Investment holding
Sichuan Sinco Pharmaceuticals Co., Ltd. 四川興科蓉藥業有限責任公司(i)	1 April 2011 PRC/Mainland China	RMB100,000,000	–	100	Sale of pharmaceutical products
Sichuan Sinco Biological Technology Co., Ltd. 四川興科蓉生物科技有限公司(ii)	25 November 2013 PRC/Mainland China	RMB1,000,000	–	70	Research and development on pharmaceutical products

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chengdu Sinco Pharmaceutical Technology Co., Ltd. 成都興科蓉醫藥技術有限責任公司(ii)	26 February 2014 PRC/Mainland China	RMB22,000,000	–	100	Providing warehouse facilities for Pharmaceutical products
Chengdu Hengsheng Ziguang Pharmaceutical Technology Co., Ltd. ("Chengdu Hengsheng") 成都恒盛紫光醫藥技術有限責任公司(ii)	4 March 2015 PRC/Mainland China	RMB100,000	–	100	Consultation on medical and biological technology
Xizang Linzhi Ziguang Pharmaceutical Co., Ltd. ("Linzhi Ziguang") 西藏林芝紫光藥業有限責任公司(ii)	17 November 2014 PRC/Mainland China	RMB10,000,000	–	100	Sale of pharmaceutical products
Sinco Shanghai Trading Co., Ltd. 興科蓉(上海)貿易有限公司(i)	25 August 2016 PRC/Mainland China	RMB5,000,000	–	100	Sale of pharmaceutical products
Qingdao Yusheng Hengying Trading Co., Ltd. 青島煜盛恒盈貿易有限公司(i)	15 November 2016 PRC/Mainland China	RMB30,000,000	–	100	Investment holding
Qingdao Ruichi Pharmaceuticals Co., Ltd. 青島瑞馳藥業有限公司(ii)	15 May 2007 PRC/Mainland China	RMB10,000,000	–	100	Sale of pharmaceutical products
XKR Prosperous Holding PTE. Ltd.(iii) 新加坡恒盛集團控股有限公司	06 August 2020 Singapore	SGD10,000	–	100	Sale of pharmaceutical products

(i) Sichuan Sinco Pharmaceuticals Co., Ltd. ("**Sichuan Sinco Pharmaceuticals**"), Sinco Shanghai Trading Co., Ltd. ("**Sinco Shanghai**"), Qingdao Yusheng Hengying Trading Co., Ltd. ("**Qingdao Yusheng**") and Chengdu Sinco Pharmaceuticals Co., Ltd. ("**Chengdu Sinco**") are registered as wholly-foreign-owned enterprises under the law of the People's Republic of China ("**PRC**").

(ii) These subsidiaries are registered as domestic enterprises under PRC law.

(iii) The subsidiary is registered as wholly-foreign-owned enterprises under the law of the Republic of Singapore.

1.2 BASIS OF PREPARATION

These financial information have been prepared in accordance with all applicable IFRSs, which collective term includes all applicable individual IFRS, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention. These financial information are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any impact on the financial position and performance of the Group.

1.4 ISSUED BUT NOT YET EFFECTIVE IFRS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform-Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*[4]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component.

The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to discloses additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank loans denominated in RMB based on the China Loan Prime Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address in inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

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

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

Annual improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

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

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

1.5 CORRECTION OF PRIOR PERIOD ERRORS

With a review of financial statements presentation, the Directors of the Company decided to restate certain items in consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended. The effects of the prior period adjustments on the Group's financial statements for the year ended 31 December 2020 are summarised as follows:

As at 31 December 2019

		Prior period adjustments			
	As previously stated	(a)	(b)	(c)	As restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payments in advance	3,665	–	–	(3,157)	508
Inventories	250,963	–	8,303	–	259,266
Prepayments, other receivables and other assets	46,108	67,565	(4,492)	–	109,181
Trade payables	146,158	154,308	–	–	300,466
Other payables and accruals – current	137,764	(20,888)	–	–	116,876
Other payables – non-current	195,962	(65,855)	–	–	130,107
Reserves	46,410	–	3,811	(3,157)	47,064

For the year ended 31 December 2019

	As previously stated *RMB'000*	Prior period adjustments (a) *RMB'000*	(b) *RMB'000*	(c) *RMB'000*	As restated *RMB'000*
Cost of sales	960,373	–	(3,811)	–	956,562
Other expenses	7,151	–	–	3,157	10,308
Profit and total comprehensive income for the year	22,896	–	3,811	(3,157)	23,550
Attributable to:					
Equity holders of the parent	22,898	–	3,811	(3,157)	23,552
Non-controlling interests	(2)	–	–	–	(2)
Earnings per share attributable to ordinary equity holders of the parent:					
Basic					
– For profit for the year *(RMB)*	0.014	–	–	–	0.014
Diluted					
– For profit for the year *(RMB)*	0.014	–	–	–	0.014
Cash flows from operating activities					
– Profit before tax	42,301	–	3,811	(3,157)	42,955
– Decrease in prepayments, other receivables and other assets	21,705	–	4,492	–	26,197
– Increase in inventories	(36,263)	–	(8,303)	–	(44,566)
– Decrease in payments in advance	4,662	–	–	3,157	7,819
– Increase in trade payables	39,257	154,308	–	–	193,565
– Increase/(decrease) in other payables and accruals	119,911	(280,015)	–	–	(160,104)
Net cash flows from/(used in) operating activities	116,159	(125,707)	–	–	(9,548)
Cash flows from financing activities					
– Increase in prepayments, other receivables and other assets	–	(67,565)	–	–	(67,565)
– Decrease in other payables and accruals	–	193,272	–	–	193,272
Net cash flows from financing activities	30,736	125,707	–	–	156,443

(a) During the year ended 31 December 2019, the Group commenced to engage certain import agents to deal with the Group's import of pharmaceuticals, including import services and issuance of letters of credit to the Group for its endorsement to overseas suppliers. The relevant imported pharmaceuticals covered by the letters of credit are pledged to the import agents as securities. The pledge of pharmaceuticals can be released when the Group makes full payment to the import agents. Upon the settlement of letters of credit issued by import agents, the Group reclassifies the settled amounts from trade payables to other payables due to import agents. As at 31 December 2019, the Group has outstanding letters of credit not yet settled with overseas suppliers amounting to RMB154,308,000; and the Group made a payment of RMB67,565,000 to import agents as deposits for outstanding letters of credit for the release of pledged pharmaceuticals. The Group incorrectly reclassified trade payables to other payables amounting to RMB86,743,000 and offset trade payables against other receivables of RMB67,565,000 as at 31 December 2019. In addition, the Group incorrectly classified the cash flows arising from the transactions with import agents as operating activities instead of the financing activities.

Therefore, the effect of correcting the above errors resulting in:

(i) an increase in prepayments, other receivables and other assets of RMB67,565,000;

(ii) an increase in trade payable of RMB154,308,000;

(iii) a decrease in other payables of RMB86,743,000, of which RMB65,855,000 are classified under non-current liabilities; and

(iv) a decrease in net cash flows from operating activities of RMB125,707,000 and an increase in net cash flows from financing activities of RMB125,707,000.

(b) As at 31 December 2019, the Group charged transportation costs attributable to unsold inventories to profit or loss amounted to RMB3,811,000. In addition, there was a purchase cut off error of inventories, which led to an overstatement of prepayment amounting to RMB4,492,000 as at 31 December 2019.

Therefore, the effect of correcting the above errors resulting in:

(i) an increase in inventories of RMB8,303,000;

(ii) a decrease in prepayments, other receivables and other assets of RMB4,492,000; and

(iii) a decrease in cost of sales, and a corresponding increase in reserves, of RMB3,811,000.

(c) As at 31 December 2019, there was a payment in advance in respect of rights for the use of certain technical knowhow with gross balance before impairment amounted to RMB6,907,000. According to the Group's impairment test made on the payment in advance as at 31 December 2019, full impairment loss should be required, but only RMB3,750,000 were recognised in profit or loss for the year ended 31 December 2019.

Therefore, the effect of correcting the above error would result in an increase in other expense for the year ended 31 December 2019 and a decrease in reserves as at 31 December 2019, of RMB3,157,000 with a corresponding decrease in "Payments in advance" as at 31 December 2019.

2. REVENUE AND OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from its sales of human albumin solution, antibiotics and other pharmaceuticals focused on therapeutic areas and complementary to human plasma-based products and other fast-growing categories in Mainland China, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal non-current assets employed by the Group are located in Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,049,803**	1,176,409

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	2020	2019
	RMB'000	*RMB'000*
Type of goods		
Human albumin solution	**1,889,012**	848,156
Antibiotics (Axetine and Medocef)	**160,791**	325,994
Others (Taurolite and Dipherelina)	**–**	2,259
Total revenue from contracts with customers	**2,049,803**	1,176,409

Geographical markets

All revenue from contracts with customers of the Group during each of the two years ended 31 December 2020 and 2019 was attributable to customers located in Mainland China, the place of domicile of the Group's principal operating entities. The Group's non-current assets are substantially located in Mainland China.

Timing of revenue recognition

All revenue from contracts with customers of the Group during each of the two years ended 31 December 2020 and 2019 are recognised when goods transferred at a point in time.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the Reporting Period:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of pharmaceuticals	**8,742**	89,189

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2020	2019
	RMB'000	*RMB'000*
Customer A	*	212,321
Customer B	**679,377**	*
Customer C	*	121,675

* Less than 10% of the total revenue

(ii) Performance obligations

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

Sale of pharmaceuticals

The performance obligation is satisfied upon delivery of the pharmaceuticals and payment is generally due within 90 days to 240 days from delivery, except for certain customers who make payment in advance prior to delivery of pharmaceuticals.

3. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**1,295**	311
Imputed discount on deposit received *(note 19(c))*	**8,510**	–
Interest income from financial assets at fair value through profit or loss *(note 5)*	**615**	–
Interest income from financial assets measured at amortised cost *(note 5)*	**39**	–
Government grants*	**447**	712
Foreign exchange gains, net	**–**	63
Net rental income from investment property *(notes 5 and 11)*	**290**	234
Service income	**2,434**	12,992
Others	**39**	743
	13,669	15,055

* There were no unfulfilled conditions or contingencies relating to the government grants.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**2,833**	19,542
Interest on discounted bills receivable *(note 14)*	**–**	392
Interest on deferred settlement of trade payables *(note 17)*	**3,937**	–
Interest on lease liabilities *(note 11)*	**95**	92
Unwinding of discount on long-term deposits received *(note 19(c))*	**1,932**	–
	8,797	20,026

5. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging:

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Cost of inventories sold		**1,775,977**	960,373
Depreciation of items of property, plant and equipment	*9*	**7,804**	9,213
Depreciation of right-of-use assets	*11(c)*	**1,138**	1,006
Depreciation of investment property	*10*	**454**	114
Amortisation of intangible assets		**23**	68
Research expenses		**812**	1,585
Provision for/(reversal of) impairment losses recognised on:			
Trade receivables	*14*	**(350)**	1,326
Financial assets included in prepayments, other receivables and other assets	*15*	**48**	(54)
Short-term lease payments	*11(c)*	**433**	627
Employee benefit expense:			
Wages and salaries		**10,389**	10,209
Welfare and other benefits		**388**	352
Equity-settled share option expense		**–**	19
Pension scheme contributions			
– Defined contribution fund		**491**	1,410
Housing fund			
– Defined contribution fund		**457**	506
Total employee benefit expense		**11,725**	12,496
Foreign exchanges (losses)/gains, net		**6,058**	(63)
Losses on disposal of items of property, plant and equipment		**–**	39
Write-off of inventories		**–**	106
Write-down of inventories to net realisable value		**3,248**	–
Interest income from financial assets at fair value through profit or loss	*3*	**(615)**	–
Interest income from financial assets measured at amortised cost	*3*	**(39)**	–
Net rental income from investment property	*3*	**(290)**	(234)

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the Group's assessable profits derived from Hong Kong.

The provision for PRC CIT is based on the respective PRC CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of Mainland China for the year. All subsidiaries domiciled in the PRC were subject to PRC CIT at a rate of 25% during the two years ended 31 December 2020 and 2019.

The major components of income tax expense are as follows:

	2020	2019
	RMB'000	*RMB'000*
Current – Hong Kong Charge for the year	**8,049**	–
Current – Mainland China Charge for the year	**14,693**	12,114
Adjustments in respect of current tax of previous year	**(4,999)**	6,712
Deferred *(note 12)*	**75**	579
Total tax charge for the year	**17,818**	19,405

7. DIVIDENDS

At a meeting of the Board held on 31 March 2021, the Directors resolved not to pay final dividends to Shareholders for the Reporting Period (2019 final dividend: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year ended 31 December 2020 of RMB118,137,000 (2019: RMB23,552,000), and the weighted average number of ordinary shares of 1,691,890,585 (2019: 1,691,890,585) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the current and prior years.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *RMB'000*	Machinery *RMB'000*	Leasehold improvement and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
31 December 2020						
Cost:						
At 1 January 2020	176,347	1,563	10,903	18,445	31,248	238,506
Additions	–	139	43	73	117	372
Other transfer-out	(1,184)	–	–	–	(128)	(1,312)
Disposals	–	(193)		–	–	(193)
At 31 December 2020	**175,163**	**1,509**	**10,946**	**18,518**	**31,237**	**237,373**
Accumulated depreciation:						
At 1 January 2020	17,335	328	8,576	15,274	–	41,513
Provided for the year *(note 5)*	4,648	266	676	2,214	–	7,804
Disposals	–	(193)	–	–	–	(193)
At 31 December 2020	**21,983**	**401**	**9,252**	**17,488**	**–**	**49,124**
Net carrying amount:						
At 31 December 2019	159,012	1,235	2,327	3,171	31,248	196,993
At 31 December 2020	**153,180**	**1,108**	**1,694**	**1,030**	**31,237**	**188,249**
31 December 2019						
Cost:						
At 1 January 2019	184,704	1,531	10,432	18,473	194	215,334
Additions	43	1	235	–	276	555
Transferred from CIP	–	31	–	–	(31)	–
Transferred from payments in advance	–	–	319	–	30,809	31,128
Transferred to investment property	(8,400)	–	–	–	–	(8,400)
Disposal	–	–	(83)	(28)	–	(111)
At 31 December 2019	176,347	1,563	10,903	18,445	31,248	238,506
Accumulated depreciation:						
At 1 January 2019	14,156	127	6,460	12,782	–	33,525
Transferred to investment property	(1,153)	–	–	–	–	(1,153)
Provided for the year *(note 5)*	4,332	201	2,188	2,492	–	9,213
Disposal	–	–	(72)	–		(72)
At 31 December 2019	17,335	328	8,576	15,274	–	41,513
Net carrying amount:						
At 31 December 2018	170,548	1,404	3,972	5,691	194	181,809
At 31 December 2019	159,012	1,235	2,327	3,171	31,248	196,993

As of 31 December 2020, the Group's buildings with a net carrying amount of RMB70,296,000 (2019: RMB72,755,000) were pledged to two banks to secure the Group's bank loans (note 20(a)).

10. INVESTMENT PROPERTY

	2020	2019
	RMB'000	*RMB'000*
Carrying amount at 1 January	**7,133**	–
Transferred from owner-occupied properties	**–**	7,247
Depreciation provided for the year *(note 5)*	**(454)**	(114)
Carrying amount at 31 December	**6,679**	7,133

Notes:

(a) As at 31 December 2020, the fair values of the investment property were estimated to be approximately RMB8,292,000 (2019: RMB8,120,000). The valuation was performed by Asia-Pacific Consulting and Appraisal Limited, an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation was estimated using discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

(b) As at 31 December 2020, the investment property was leased to a third party under operating leases.

(c) As at 31 December 2020, the Group's investment property with a net carrying amount of RMB6,679,000 (31 December 2019: RMB7,133,000) were pledged to obtain bank facilities granted to the Group.

11. LEASES

The Group as a lessee

The Group has lease contracts for office premises and a warehouse used in its operations. The Group entered into certain long-term lease contracts for items of office premises. Lump sum payments were made upfront to acquire the leased land with lease periods of 50 years. Lump sum payments were made yearly upfront to acquire the certain leased office premise with lease periods of five years, and no ongoing payments will be made under the terms of the lease after the payments. For other leases, payments were made monthly, quarterly and semi-annually. Leases of office premises have lease terms between 1 and 5 years. Leases of a warehouse have lease terms within five years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

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

	Leasehold land *RMB'000*	**Office premises and warehouse** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	–	2,047	2,047
Depreciation charge *(note 5)*	–	(1,006)	(1,006)
As at 31 December 2019 and 1 January 2020	–	1,041	1,041
Additions	49,114	917	50,031
Depreciation charge *(note 5)*	(82)	(1,056)	(1,138)
As at 31 December 2020	**49,032**	**902**	**49,934**

The Group's leasehold land included in right-of-use assets is situated in Mainland China and held under long lease terms.

(b) *Lease liabilities*

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

	2020 ***RMB'000***	2019 *RMB'000*
Carrying amount at 1 January	**1,176**	2,047
New leases	**917**	–
Accretion of interest recognised during the year *(note 4)*	**95**	92
Payments	**(1,085)**	(963)
Carrying amount at 31 December	**1,103**	1,176
Analysed into:		
Current portion	**736**	1,022
Non-current portion	**367**	154

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

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities *(note 4)*	**95**	92
Depreciation charge of right-of-use assets *(note 5)*	**1,138**	1,006
Expense relating to short-term leases (included in administrative expenses) *(note 5)*	**433**	627
Total amount recognised in profit or loss	**1,666**	1,725

The Group as a lessor

The group leases its investment property consisting of one commercial property in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Net rental income recognised by the Group during the year was RMB290,000 (2019: RMB234,000) (note 3).

At 31 December 2020, the undiscounted lease payments receivable by the group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**511**	511
After one year but within two years	**170**	511
After two years but within three years	**–**	170
	681	1,192

12. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**721**	1,300
Deferred tax charged to profit or loss during the year *(note 6)*	**(75)**	(579)
At end of year	**646**	721

Notes:

(a) As at 31 December 2020, the Group had accumulated tax losses arising in Mainland China of RMB17,616,000 (31 December 2019: RMB18,204,000) that would expire in one to five years. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which they can be utilised.

(b) Deferred tax assets related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

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

As of 31 December 2020, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future after their assessment based on factors which included the dividend policy, the level of working capital required for the Group's operations and the expansion of the Group's operations in Mainland China. The aggregate amount of temporary differences as associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB62,851,000 (2019: RMB25,259,000).

13. INVENTORIES

At the end of the Reporting Period, all inventories represent purchased pharmaceutical products.

At 31 December 2020, the Group's inventories with a carrying amount of RMB241,577,000 (31 December 2019 (restated): RMB224,916,000) were pledged to secure the Group's other payables as further detailed in note 19(b) to the financial statements.

14. TRADE AND BILLS RECEIVABLES

	2020 ***RMB'000***	2019 *RMB'000*
Trade receivables	**580,778**	28,412
Impairment	**(2,091)**	(2,441)
Trade receivables, net of impairment	**578,687**	25,971
Bills receivable	**–**	4,739
	578,687	30,710

The Group granted credit terms ranging from 90 days to 240 days to customers after the delivery of goods, except for certain customers who were required to make payments in advance prior to the delivery of goods. The Group seeks to maintain strict control over the settlements of its outstanding receivables and has a credit control department to minimise credit risk. Trade receivables are non-interest-bearing. As at 31 December 2020, trade receivables of RMB567,169,000 (31 December 2019: nil) are covered by letters of credit.

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**576,378**	25,971
3 to 12 months	**2,309**	–
	578,687	25,971

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**2,441**	1,115
Provision for/(reversal of) impairment losses *(note 5)*	**(350)**	1,326
At end of year	**2,091**	2,441

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss rate. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and coverage by other forms of insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2020

		Past due		
	Current	**1 to 90 days**	**More than 90 days**	**Total**
Expected credit loss rate	**1.25%**	**40.12%**	**100%**	
Gross carrying amount *(RMB'000)*	**576,495**	**3,856**	**427**	**580,778**
Covered by letters of credit *(RMB'000)*	**(567,169)**	**–**	**–**	**(567,169)**
	9,326	**3,856**	**427**	**13,609**
Expected credit losses *(RMB'000)*	**117**	**1,547**	**427**	**2,091**

As at 31 December 2019

		Past due		
	Current	1 to 90 days	More than 90 days	Total
Expected credit loss rate	0.96%	25.16%	100%	
Gross carrying amount *(RMB'000)*	20,770	7,215	427	28,412
Expected credit losses *(RMB'000)*	199	1,815	427	2,441

As at 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain import agents in order to settle other payables, with a carrying amount in aggregate of RMB110,097,000 (31 December 2019: RMB32,437,000); furthermore, as at 31 December 2020, the Group did not hold any bills of exchange (31 December 2019: RMB37,800,000) (collectively referred to as the "**Derecognised Bills**"). The Derecognised Bills have a maturity term from one to three months at the end of the reporting period. All the Derecognised Bills had been accepted by Banks which are reputable banks in the PRC and had a maturity of three months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on discounting. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2019, the Group has recognised interest expenses of RMB392,000 on discounted bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The discounting has been made evenly throughout the prior year.

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 ***RMB'000***	2019 *RMB'000* (Restated)
Prepayments in respect of:		
– purchase of inventories	**–**	7,843
– consultation service fee	**814**	202
– others	**756**	1,718
Deposits in respect of:		
– issuance of letters of credit	**24,998**	67,565
– others	**5,272**	4,803
Value-added tax recoverable	**5,818**	26,657
Amount due from related parties	**–**	447
Other receivables in respect of:		
– staff advances	**359**	418
– others	**3,217**	–
	41,234	109,653
Impairment allowance	**(520)**	(472)
	40,714	109,181

The movements in the loss allowance for impairment of financial assets in prepayments, other receivables and other assets are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
At beginning of year	**472**	526
Provision for/(reversal of) impairment losses *(note 5)*	**48**	(54)
At end of year	**520**	472

An impairment analysis is performed at each reporting date by considering ECLs, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

In determining ECLs for financial assets in prepayments, other receivables and other assets, the Directors have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of financial assets in prepayments, other receivables and other assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

16. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	2020	2019
	RMB'000	*RMB'000*
Cash and bank balances	**143,765**	224,756
Less: pledged bank deposits*	**–**	(5,001)
Cash and cash equivalents	**143,765**	219,775

* The balances as at 31 December 2019 represented bank deposits with original maturity of less than three months when acquired which are pledged to bank for issuance of letters of credit for the purchase of pharmaceutical products.

The Group's cash and bank balances at the end of the reporting period can be further analysed as follows:

	2020	2019
	RMB'000	*RMB'000*
Denominated in RMB	**102,572**	211,624
Denominated in US$*	**37,263**	12,770
Denominated in HK$*	**3,835**	301
Denominated in C$*	**40**	–
Denominated in S$*	**55**	61
	143,765	224,756

* US$ stands for United States Dollar. HK$ stands for Hong Kong Dollar. C$ stands for Canadian Dollar. S$ stands for Singapore Dollar

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for the period of three months and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the issuance date of the pharmaceuticals inspection report, is as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Within three months	**700,320**	294,574
Over three months	**–**	5,892
	700,320	300,466

Trade payables of the Group are normally settled within 120 to 240 days (2019: 90 to 240 days).

18. CONTRACT LIABILITIES

Contract liabilities consisted of short-term advances received from customers in relation to sale of pharmaceuticals. Changes in contract liabilities during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
At the beginning of year	**38,582**	129,670
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(8,742)**	(89,189)
Transfer to other payables and accruals	**(29,685)**	–
Net increase/(decrease) due to cash received, excluding amounts recognised as revenue during the year	**27,651**	(1,899)
At the end of year	**27,806**	38,582

19. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Current portion:			
Payables related to:			
Payroll and welfare payable		**1,218**	605
Property, plant and equipment		**–**	1,312
Deposits received	*(a)*	**4,023**	7,532
Consulting and professional fees		**6,433**	19,122
Other tax payables		**1,800**	786
Import agent services	*(b)*	**117,848**	63,165
Interest payable		**–**	23,181
Other payables		**30,624**	1,173
		161,946	116,876
Non-current portion:			
Payables related to:			
Deposits received	*(c)*	**93,422**	–
Import agent services	*(b)*	**–**	130,107
		93,422	130,107
		255,368	246,983

Notes:

(a) The balances represented refundable deposits received from the Group's distributors according to distribution contracts in order to guarantee their performance under distribution contracts.

(b) The balances as at 31 December 2020 mainly represented the payables to three (31 December 2019 (restated): two) independent third parties, which are principally engaged in import agent services, for their settlement of part of purchase of pharmaceutical products on behalf of the Group together with the service charge for the import and logistics services. Such payables were non-interest-bearing and secured by inventories with a carrying amount of RMB241,577,000 (31 December 2019: RMB224,916,000) (note 13).

(c) The balances as at 31 December 2020 mainly represented the payables related to interest-free deposits totalling RMB100 million received from a distributor for distribution period granted by the Group with latest repayment date in July 2022. For the year ended 31 December 2020, the Group recorded Imputed discount on deposits of RMB8,510,000 (2019: nil) (note 3) and unwinding of discount on deposits of RMB1,932,000 (2019: nil) (note 4).

Other than the other payables mentioned above, all other payables of the Group are non-interest-bearing and unsecured.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans						
– Secured and guaranteed	**3.73–6.0**	**2021**	**69,000**	4.8–5.6	2020	47,484
– Guaranteed	**2.9**	**2021**	**8,156**			–
Other borrowings						
– Secured and guaranteed	**–**	**–**	**–**	13.2	2020	140,000
Current portion of long term bank loans						
– guaranteed	**2.75**	**2021**	**830**	–	–	–
			77,986			187,484
Non-Current:						
Bank loans						
– Guaranteed	**2.75**	**2022-2025**	**3,042**	–	–	–
			81,028			187,484

	2020	2019
	RMB'000	*RMB'000*
Analysed into:		
Bank loans		
– repayable with a repayment:		
Within one year or on demand	**77,986**	47,484
In the second year	**830**	–
In the third to fifth years, inclusive	**2,212**	–
	81,028	47,484
Other loans		
– repayable with a repayment:		
Within one year or on demand	**–**	140,000
	81,028	187,484

Notes:

(a) The Group's bank loans and other borrowings are secured and guaranteed as follows:

(i) At 31 December 2020, the bank loan of RMB60,000,000 (31 December 2019: RMB38,484,000) was secured by the Group's certain buildings of RMB60,152,000 (31 December 2019: RMB62,435,000) and guaranteed by Mr. Huang Xiangbin, the Company and Chengdu Sinco Pharmaceutical Technology Co. Ltd.

(ii) At 31 December 2020, the bank loan of RMB9,000,000 (31 December 2019: RMB9,000,000) was secured by the Group's certain buildings of RMB10,144,000 (31 December 2019: RMB10,320,000) and guaranteed by Mr. Huang Xiangbin.

(iii) At 31 December 2020, the bank loan of RMB8,156,000 (31 December 2019: nil) is guaranteed by Mr. Huang Xiangbin and Chengdu Sinco Pharmaceutical Technology Co., Ltd.

(iv) At 31 December 2020, the bank loan of RMB3,872,000 (31 December 2019: nil) is guaranteed by Mr. Huang Xiangbin.

(b) At 31 December 2019, other borrowings of RMB140,000,000 are secured by 1,049,990,000 issued ordinary shares of the Company held by Risun and guaranteed by Mr. Huang Xiangbin.

(c) At 31 December 2020, except for those bank loans which were denominated in HK$ and US$, amounting to RMB3,872,000 and RMB8,156,000, respectively, all bank loans were denominated in RMB.

21. SHARE CAPITAL

Shares

	2020	2019
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (31 December 2019: 10,000,000,000) ordinary shares of HK$0.0001 each	**822**	822
Issued and fully paid:		
1,691,890,585 (31 December 2019: 1,691,890,585) ordinary shares of HK$0.0001 each	**136**	136

22. COMMITMENTS

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

	2020	2019
	RMB'000	*RMB'000*
Contracted, but not provided for:		
– Construction of a warehouse	**83,008**	83,008

23. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

24. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following material transactions with related parties:

	2020	2019
	RMB'000	*RMB'000*
Guaranteed by Mr. Huang Xiangbin		
Interest-bearing bank loan	**81,028**	47,484
Interest-bearing other borrowings	**–**	140,000
Secured by Risun's shares over the Company		
Interest-bearing other borrowings	**–**	140,000
Amount due from Risun	**–**	143
Amount due from Mr. Huang Xiangbin	**–**	447
	–	590

(b) Compensation of key management personnel of the Group

	2020	2019
	RMB'000	*RMB'000*
Short-term employee benefits	**2,134**	2,775
Pension scheme contributions	**44**	38
Total compensation paid to key management personnel	**2,178**	2,813

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With extensive experience in the distribution of pharmaceutical imports, the Group provides comprehensive MPCM services for small and medium sized overseas pharmaceutical manufacturers. Meanwhile, the Group is the only MPCM services provider for imported blood products in the PRC, leveraging our quality product portfolio that focuses on blood products and nationwide marketing and promotion network. The Group's existing product portfolio encompasses many quality products produced by small and medium-sized overseas pharmaceutical manufacturers, covering multiple therapeutic areas such as anti-infective drugs, and blood products. Included in such products are blood products which are in short supply in the Chinese market and prescription drugs which can meet the high demand for high-quality drugs with excellent clinical results among medical institutions and patients.

1. Core Products

Human Albumin Solution

Dating back to the early 1940s, blood products have undergone decades of fast development. Such products have grown from Human Albumin at the very beginning to the current 20-plus categories in three series, encompassing such sub-categories as Human Albumin, immune globulin and blood coagulation factors. Given the approval granted to new indications and an improved rate of diagnosis, the Plasma Protein Therapeutics Association (PPTA) predicts that the market demand for blood products will retain a high-speed growth around the globe. In these two years, as many new plasma collection stations have been put into service, the amount of plasma collection increases every year and production capacity of domestic manufacturers has also increased rapidly. As the largest sales category in the market of blood products in the PRC, Human Albumin is the only kind of blood product allowed to be imported at present, and its lot release of imported and domestic categories maintains a rapid growth every year. In 2020, the annual batch release amounted to 58.9 million vials (2019: 53.4 million vials), among which the percentages of imported and domestic categories were 64.0% and 36.0% respectively. Manufactured by Octapharma, a global leading manufacturer of blood products, and included as a Category B product in the National Reimbursement Drug List (NRDL), the Human Albumin Solution operated by the Group is used to remedy the shock caused by hypovolemia, remove edema and poisonous substances, and treat neonatal hyperbilirubinemia. Based on the batch release of the Human Albumin Solution in the PRC in 2020, the market share of the Human Albumin Solution manufactured by Octapharma was approximately 15.4%.

2. Marketing Network Development

The Group provides its marketing service through its internal teams and their cooperation with third-party promoters. Hence, one of the Group's key development strategies is to continuously expand the marketing network and enhance distributor and promoter management. During the Reporting Period, the Group took "Flexible, Professional and Efficient" as its objective, and strove to develop its marketing team in respect of the ability of quickly responding to market environment changes and executing operational plans with high efficiency. Furthermore, the Group sorted out its human resources in each division. The marketing team had its structure streamlined and its performance management further refined, with optimized allocation of sales resources that are invested in each product, thereby achieving higher efficiency of business operation.

At the same time, the implementation of "Two-Invoice System" took place at a faster pace in each province. To positively respond to such implementation, the existing structure of distributor network was comprehensively sorted out. Based on sufficient communication with its distributors, the Group has further extended its sales channels to end markets through the collaboration between its internal sales team and local distributors. Previously promoters were allocated by region. Now, the promoters are matched with each hospital of the region concerned, which enables the Group's sales network to reach the end market directly. Besides, the coverage of the network has also been extended from large top Class-III hospitals to provincial, municipal and county hospitals, to keep improving market penetration, thereby establishing a precise management system that each hospital will have its respective promoters.

In addition, the Group has further improved the direct participation of its internal marketing team in product marketing activities. In this regard, approaches include regularly training third-party promoters on product knowledge, hosting or taking part in medical or pharmaceutical conferences, symposiums and product seminars to directly partake in the academic promotion activities of products, and extend the opinion leadership network for the main therapeutic areas of products. All the approaches serve to ensure accurate and timely delivery of product information to doctors. In addition to product promotion, the Group has taken the initiative to invite third party promoters from across the country to discuss and interpret the major impact of national policies, to increase the added value and attraction of the Group's training.

3. Cold Chain Storage Facility

Considering the future demand for business expansion and the significant demand for pharmaceutical cold chains in the storage and delivery of blood products and bio-products, the Group has constructed a cold chain storage facility in Shuangliu District, Chengdu, Sichuan Province. The Group has completed the first phase of its cold chain storage facility (15,000 square meters), which can satisfy the Group's storage demand and provide better control for the quality and safety of the blood products in our product portfolio. Additionally, we will be able to provide third parties with high quality pharmaceutical cold-chain storage services upon completing the second-phase construction (which includes 25,000 square meters of cold chain storage and 47,000 square meters of research and development base), which will be a new business unit of the Group.

Save as mentioned above, the Group did not hold any material investments, and there was no material acquisition or disposal of its subsidiaries, associates or joint ventures during the Reporting Period.

4. Research and Development

The Group has entered into a collaboration agreement with the China Academy of Chinese Medical Sciences to develop "Sinco I", a new realgar-based chemical medicine for treating acute promyelocytic leukemia. The collaboration aims for the upstream extension of the Group's business and the future provision of a new medicine for patients in the therapeutic area. The Group is currently making efforts in designing and building a pilot plant for pilot experiments. During the Reporting Period, the Group incurred RMB0.8 million as the research and development expenses for developing Sinco I.

FUTURE AND OUTLOOK

In 2021, the 2019 novel coronavirus ("**COVID-19**") epidemic may continue to affect the global economic situation. Under the influence of the epidemic, the amount of plasma collection in 2020 will be reduced, and according to the delay of blood products, the number of batches issued in 2021 will also be reduced accordingly. It is expected that in early 2021, there will be a short supply of albumin. In the short term, the price of albumin will continue to rise. In addition, the current domestic order of diagnosis and treatment is also gradually recovering, and the demand for albumin in the market in 2021 is expected to show a recovery growth. If supply fails to keep up with demand, it will also push up the price of albumin in the market. In the long run, current demand for albumin is far less than that of developed countries compared with China. Therefore, the market has huge potential. Under the influence of the population base, the demand will continue to increase in the future.

Under the influence of the epidemic in 2021, people's medical awareness and needs will also increase with the emergence of the COVID-19 epidemic. Due to the clinical necessity for albumin and there is no corresponding substitute product in the short term, it is expected that the demand for albumin will increase in the future. After the implementation of the "two-invoice system" policy in China, sales channels have become flatter, and manufacturers can directly cooperate with end customers. While actively conducting academic promotion activities, the manufacturers' business ideas are also having fundamental changes, the original price-oriented thinking is transformed into a focus on academic promotion and actively improving brand influence. In recent years, products represented by human albumin have ushered in a rapid recovery. Under the existing sales team and model system, the Group will continue with its corporate sales team and development strategies in optimizing the marketing network and the product portfolio, and maintaining the business of blood products and antibiotics as a core therapeutic area. By concentrating its advantageous resources, the Group spares no effort in reaching a speedy completion of the adjustment on sales pattern under the new policies for stabilizing its business. In respect of expanding its marketing network, the Group will strengthen the control over its sales team, improve its incentive mechanism, continuously promote presence in the downstream of marketing network channels, and extend it to the end market by establishing multi-mode cooperation with hospitals and pharmacies, all in a bid to contribute higher profit to the Group, develop core marketing capabilities and build a quality terminal promotion network to accommodate more products.

Apart from the above, the Group will continue to enhance the development of its internal control system and risk management, pay much attention to and fulfill its corporate social responsibilities throughout the Group's governance. The Group will offer its staff a great platform for career development, and keep working to create a greater value for the Shareholders.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB2,049.8 million for the Reporting Period, representing an increase of RMB873.4 million, or 74.2% as compared to RMB1,176.4 million in 2019, which could be further analysed as follows:

		2020		2019	
		RMB million	***% of revenue***	*RMB million*	*% of revenue*
Human Albumin Solution	*1)*	**1,889.0**	**92.2**	848.2	72.1
Antibiotics	*2)*	**160.8**	**7.8**	326.0	27.7
Other products	*3)*	**–**	**–**	2.2	0.2
Total		**2,049.8**	**100.0**	1,176.4	100.0

1) During the Reporting Period, revenue of human albumin solution was RMB1,889.0 million, representing an increase of approximately 122.7% or RMB1,040.8 million as compared with 2019. Such increase in revenue was caused by the increase in the supply volume and the sales volume of human albumin.

2) During the Reporting Period, revenue from sales of antibiotics decreased by RMB165.2 million as compared with 2019. The decrease was mainly caused by the outbreak of the COVID-19 epidemic in the beginning of the year 2020 which caused the drop in the number of hospital inpatients. As a result, the usage of antibiotics decreased correspondingly, and with the implementation of the drug volume-based purchasing policy, the sale volume in some provinces declined.

Cost of sales

The Group recorded cost of sales of RMB1,776.0 million for the Reporting Period, representing an increase of RMB819.4 million, or 85.7% as compared with RMB956.6 million in 2019, which was generally in line with the increase in sales.

Gross profit and gross profit margin

During the Reporting Period, the Group recorded gross profit of RMB273.8 million, representing an increase of RMB54.0 million as compared with RMB219.8 million in 2019, in which the gross profit of the human albumin increased by RMB152.5 million and was partially offset by the decrease of the gross profit of the antibiotics by RMB98.5. The gross profit margin decreased from 18.7% in 2019 to 13.4% for the Reporting Period. The decrease in gross profit margin was mainly due to the large increase of sales of human albumin which in general has lower profit margin than the antibiotics.

Other income and gains

During the Reporting Period, other income and gains of the Group amounted to RMB13.7 million, representing a decrease of RMB1.4 million as compared with 2019, which was mainly caused by the decrease of delivery service income.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB89.8 million, representing a decrease of RMB24.7 million as compared with 2019. The decrease was mainly due to the decrease of marketing promotion expenses which was in line with the decrease in sales of the antibiotics.

Administrative expenses

During the Reporting Period, the Group recorded administrative expenses of RMB40.6 million, which was similar to that of 2019. The administrative expenses mainly included staff cost of RMB8.9 million, intermediary service fees of RMB9.2 million, tax charges of RMB5.0 million, depreciation and amortization cost of RMB6.7 million and other miscellaneous expenses.

Other expenses

During the Reporting Period, the Group recorded other expenses of RMB12.7 million, representing an increase of RMB2.4 million as compared with 2019, which was mainly due to the increase in foreign exchange loss.

Finance costs

During the Reporting Period, the Group recorded finance costs of RMB8.8 million, representing a decrease of RMB11.2 million as compared with 2019, which was mainly due to the repayment of the other interest bearing loans by the Group in January 2020 and accordingly the relevant interest expense decreased.

Income tax expense

During the Reporting Period, the income tax expenses decreased by RMB1.6 million or 8.2% to RMB17.8 million as compared with 2019. The decrease was mainly due to utilisation of tax losses from previous periods.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded the net profit of RMB118.1 million, which increased by RMB94.5 million as compared with RMB23.6 million in 2019.

Inventories

Inventory balances amounted to RMB242.6 million as of 31 December 2020 (31 December 2019: RMB259.3 million), representing a decrease of RMB16.7 million as compared with the year-end balance of 2019. Such decrease was due to the decrease in the inventory balance of human albumin solution.

Due to the decrease of the inventory and adjustment of sales channels, the Group's average inventory turnover days decreased by 38 days from 90 days in 2019 to 52 days for the Reporting Period.

Trade and bills receivables

The balance of trade receivables amounted to RMB578.7 million as of 31 December 2020 (31 December 2019: RMB26.0 million). The main reason for the increase of RMB552.7 million as compared with the year-end balance of 2019 was that most of trade receivables were covered by letter of credit issued by the customers and not yet past due which led to an increase in the balance of trade receivables.

The balance of bills receivables as of 31 December 2020 was nil (31 December 2019: RMB4.7 million).

Prepayments, other receivables and other assets

As of 31 December 2020, the current portion of prepayments, other receivables and other asset amounted to RMB40.7 million (31 December 2019: RMB109.2 million), representing a decrease of RMB68.5 million as compared with the year-end balance of 2019. The decrease was mainly caused by the decrease of prepayment of deposits for issuance of letter of credit by RMB42.6 million and valued-added tax recoverable by RMB20.8 million.

Trade payables

As of 31 December 2020, trade payables amounted to RMB700.3 million (31 December 2019: RMB300.5 million), representing an increase of RMB399.8 million as compared with the year-end balance of 2019, which was caused by the increase of payables for the purchase of Human Albumin Solution.

Other payables and accruals

As of 31 December 2020, other payables and accruals amounted to RMB161.9 million (31 December 2019: RMB116.9 million), representing an increase of RMB45.0 million as compared with the year-end balance of 2019. The increase was mainly due to the increase of payables in relation to the import agent contract by RMB54.7 million. The increase was partially offset by the decrease of (i) the payables in relation to marketing, promotion and consulting services by RMB12.7 million; and (ii) the interest payable on other interest-bearing loans by RMB23.2 million.

Other payables and accruals (non-current portion)

As of 31 December 2020, non-current portion of other payables amounted to RMB93.4 million (31 December 2019: RMB130.1 million), representing a decrease of RMB36.7 million as compared with the year-end balance of 2019. The decrease was mainly due to the decrease of payables in relation to the import agent contracts by RMB130.1 million which was partially offset by the increase in payables in relation to the long-term deposits received from distributors.

Borrowings

As of 31 December 2020, the Group has borrowings of RMB81.0 million in total, with details set out below:

	2020 ***RMB'000***	2019 *RMB'000*
Current:		
Interest-bearing bank loans	**77,986**	47,484
Interest-bearing other borrowings	**–**	140,000
Non-Current:		
Interest-bearing bank loans	**3,042**	–
Total	**81,028**	187,484

The interest-bearing other borrowings mentioned above relate to a loan agreement entered into on 23 April 2018 (as supplemented by a supplemental agreement dated 27 March 2019) (collectively, the "**Loan Agreement**") among the Company as the borrower, Mr. Gui Guoping ("**Mr. Gui**") as the lender, Risun as the chargor and Mr. Huang Xiangbin as the guarantor for a loan of RMB140.0 million (the "**Loan**") with an interest rate of 13.2% per annum. The Company arranged for the repayment of the Loan together with relevant interest amounts under the Loan Agreement on 3 January 2020. In such connection, Mr. Gui released the 1,049,990,000 Shares that were charged and placed in a custodian account pursuant to the Loan Agreement and the guarantee provided by Mr. Huang Xiangbin in connection with the Loan on 11 March 2020. For more details, please refer to the Company's announcements dated 23 April 2018, 27 March 2019, 9 April 2019 and 3 January 2020.

Gearing ratio

At the end of the Reporting Period, the Group's gearing ratio was calculated as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Interest-bearing bank and other borrowings	**81,028**	187,484
Trade payables	**700,320**	300,466
Other payables and accruals	**255,368**	246,983
Lease liabilities	**1,103**	1,176
Tax payables	**21,999**	11,361
Less: Cash and cash equivalents	**(143,765)**	(219,755)
Less: Pledged bank balances	**–**	(5,001)
Net debt[(a)]	**916,053**	522,714
Equity	**164,429**	46,292
Equity and net debt[(b)]	**1,080,482**	569,006
Gearing ratio[(a/b)]	**84.8%**	91.9%

Liquidity and capital resources

The following table sets out a condensed summary of the Group's consolidated statement of cash flows during the Reporting Period:

		2020	2019
	Notes	***RMB'000***	*RMB'000*
			(Restated)
Net cash from/(used in) operating activities	*1)*	**137,300**	(9,548)
Net cash from/(used in) investing activities	*2)*	**(46,842)**	(2,545)
Net cash from/(used in) financing activities	*3)*	**(169,875)**	156,443
Net increase/(decrease) in cash and cash equivalents		**(79,417)**	144,350
Effect of foreign exchange rate changes, net		**(1,574)**	63
Cash and cash equivalents at beginning of the year	*4)*	**224,756**	80,343
Cash and cash equivalents at end of the year	*4)*	**143,765**	224,756

Notes

1) Net cash from/(used in) operating activities

During the Reporting Period, the Group's net cash inflow from operating activities amounted to approximately RMB137.3 million (for the year 2019: net cash outflow of RMB9.5 million), which was mainly due to the increase in cash from sales and increase in deposits receivable from distributors during the Reporting Period as compared with the corresponding period of prior year.

2) Net cash from/(used in) investing activities

During the Reporting Period, the Group's net cash outflow from investing activities amounted to approximately RMB46.8 million (for the year 2019: net cash outflow of RMB2.5 million), which was mainly due to the significant capital expenditure on the addition of leasehold land.

3) Net cash from/(used in) financing activities

During the Reporting Period, the Group's net cash outflow from financing activities amounted to approximately RMB169.9 million (for the year 2019: net cash inflow of RMB156.4 million), which mainly include (i) repayment of the interest-bearing bank and other borrowings of RMB226.3 million; (ii) payment of interests of RMB6.8 million and (iii) net payment of other payables and accruals of RMB98.6 million in relation to import agency contracts. The cash outflow was partially offset by (i) net proceeds from bank and other loans of RMB120.3 million and (ii) proceeds from deposits of issuance of letters of credit of RMB42.6 million.

4) The following table sets out the Group's cash and cash equivalents at the end of the Reporting Period:

	2020	2019
	RMB'000	*RMB'000*
Denominated in RMB	**102,572**	211,624
Denominated in US$	**37,263**	12,770
Denominated in HK$	**3,835**	301
Denominated in S$	**55**	61
Denominated in C$	**40**	–
	143,765	224,756

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalent are held in major financial institutions located in Mainland China. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group are mainly denominated in RMB.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in RMB, except for certain items below:

Certain bank balances are denominated in US$, HK$, S$ and C$; and Purchase of products from overseas suppliers and relevant trade payables are denominated in US$.

The Group manages the potential fluctuation in foreign currencies by foreign currency forward and option contracts, and does not enter into any hedging transactions.

Future plans for material investments and capital assets

As the date of this announcement, the Group does not have any future plans for capital assets.

Capital expenditure

The following table sets out the Group's capital expenditure for the periods indicated:

	2020 ***RMB'000***	2019 *RMB'000*
Purchase of items of property, plant and equipment	**372**	555
Addition of leasehold land	**49,114**	–
	49,486	555

Contingent liabilities

The Group had no material contingent liabilities as of 31 December 2020.

Pledge of assets

As of 31 December 2020, the carrying amounts of the Group's pledged assets were set out as follows:

	31 December 2020 ***RMB'000***	31 December 2019 *RMB'000* (Restated)
For obtaining bank and other borrowings		
– Buildings	**70,296**	72,755
– Inventories	**241,577**	224,916
For issuance of letters of credit and billings		
– Bank balances	**–**	5,001

Dividend

The Directors resolved not to declare any final dividend for the Reporting Period (2019: Nil).

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2020, the Group had a total of 107 employees. For the Reporting Period, the total staff costs of the Group were RMB11.7 million (2019: RMB12.5 million).

The Group's employee remuneration policy is determined by factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group's employees are considered for annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service quality. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labor dispute during the Reporting Period.

In addition, the Group adopted a share option scheme to recognize the contribution by certain employees of the Group, and to provide them with incentives in order to retain them for their continuing support in the operation and development of the Group.

RISK MANAGEMENT

The principal risks and uncertainties identified by the Group which may have material and adverse impact on our performance or operation are summarized below. There may be other principal risks and uncertainties in addition to those set out below which are not known to the Group or which may not be material now but could turn out to be material in the future.

- Failure to maintain relationships with existing suppliers – The Group currently sources all the products in portfolio from limited suppliers, either directly or indirectly through their sales agents.

- Exchange rate fluctuation – The Group's purchase of products from the overseas suppliers is denominated in US$, and certain items of bank balances, other receivables and bank borrowings are denominated in US$ and HK$.

- Decrease in gross profits due to increase in cost and competition.

- Experience prolonged delays or significant disruptions to the supply of the products.

The Group believes that risk management is essential to the Group's efficient and effective operation. The Group's management assists the Board in evaluating material risk exposure existing in the Group's business, and participates in formulating appropriate risk management and internal control measures, and to ensure such measures are properly implemented in daily operational management.

RELATIONSHIP WITH KEY STAKEHOLDERS

Human resources is one of the most important assets of the Group. The Group strives to motivate its employees by providing them with a clear career path as well as comprehensive and professional training courses. In addition, the Group also offers competitive remuneration packages to its employees, including basic salary, certain benefits and other performance based incentives.

The Group purchases imported pharmaceutical products from overseas suppliers, either directly or indirectly through their sales agents, and generate revenue by on-selling them to hospitals and pharmacies through distributors and deliverers. Our suppliers or their sales agents have granted us the rights to market, promote and manage sales channels for their products in China. The Group maintains a stable and long-term relationship with its suppliers by providing them access to the growing Chinese market with steady sales growth.

The Group sells pharmaceutical products to distributors, who on-sell the products to hospitals and pharmacies either directly or indirectly through their sub-distributors. The Group maintains stable and long-term relationship with its distributors by providing them guidance, training and support to carry out more targeted field marketing and promotion activities.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is primarily engaged in MPCM for imported pharmaceutical products, a line of business that does not have material impact on the environment. The key environmental impact from the Group’s operation is related to electricity, water and paper consumption. The Group is fully aware of the importance of sustainable environmental development, and has implemented the following measures to encourage environmental protection and energy conservation:

- Promoting paperless office
- Encouraging low-carbon commuting
- Ensuring reasonable energy consumption

During the Reporting Period, we did not incur any material cost of compliance with relevant environmental laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group’s business and operations are subject to related laws and regulations of the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC. During the Reporting Period, we have complied with all related laws and regulations of the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC, which would have significant impact on the Group.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Tuesday, 1 June 2021. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on Tuesday, 1 June 2021. To be eligible for attending and voting at the AGM, all transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 26 May 2021.

PRIOR YEAR ADJUSTMENTS

Prior year adjustments have been made by the Company due to correction of prior period errors. Details of which are set out in note 1.5 to the consolidated financial statements of the Group in this announcement.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the "Corporate Governance Code and the Corporate Governance Report" (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the following provision:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the organization structure of the Company, Mr. Huang Xiangbin is the chairman of the Board and the co-chief executive officer. With Mr. Huang Xiangbin's extensive experience in the pharmaceutical industry, the Board considers that vesting the roles of chairman and co-chief executive officer in the same person is beneficial to the business prospects and management of the Group. The check and balance of power and authority are ensured by the operation of the senior management and the Board, which comprises experienced and high calibre individuals. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transaction by Directors of Listed Issuer" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

POST REPORTING PERIOD EVENTS

Save as the resignation of executive Director and change of member of board committee as well as change of joint company secretary and authorized representative, the Board is not aware of any material event requiring disclosure, that has taken place subsequent to 31 December 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company ("**Audit Committee**") include the review and supervision of the Group's financial reporting system, the preparation of financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit.

The annual results for the Reporting Period of the Company have been reviewed by the Audit Committee.

AUDITOR

Crowe (HK) CPA Limited ("**Crowe**") resigned as auditor of the Company after taking into account various factors, including the professional risk associated with the audit, the level of audit fees and the availability of its internal resources in light of its current work flows. After considering the facts and circumstances, the Audit Committee, having been delegated to power to oversee the effectiveness of the external auditor, was of the view that it would be in the best interest of the Company and the Shareholders as a whole to replace Crowe with another sizeable accounting firm.

The Company had received a letter from Crowe confirming that there are no matters in connection with its resignation that needs to be brought to the attention of the Shareholders or the creditors of the Company.

Ernst & Young was appointed as auditor of the Company (the "**Auditor**") to fill the causal vacancy following the resignation of Crowe with effect from 20 July 2020 and hold office until the conclusion of the next annual general meeting of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of dividend by the Company for the Reporting Period.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.sinco-pharm.com). The annual report of the Company for the year ended 31 December 2020 containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

By Order of the Board
Sinco Pharmaceuticals Holdings Limited
Huang Xiangbin
Chairman

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Director is Mr. Huang Xiangbin; and the independent non-executive Directors are Mr. Lau Ying Kit, Mr. Liu Wenfang, Mr. Wang Qing and Mr. Bai Zhizhong.