CHINA PIONEER PHARMA HOLDINGS LIMITED
中国先锋医药控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 19.0% to RMB1,316.0 million in 2019 from RMB1,624.3 million in 2018.
- Gross profit of the Group increased by 7.5% to RMB679.8 million in 2019 from RMB632.4 million in 2018.
- Net profit of the Group increased by 22.5% to RMB103.8 million in 2019 from RMB84.8 million in 2018.
- Basic earnings per share of the Company was RMB0.09 in 2019, which represents a 28.6% increase compared to RMB0.07 in 2018.

RESULTS

References are made to the announcements of China Pioneer Pharma Holdings Limited (the "**Company**") dated 27 March 2020 and 30 March 2020. The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce that the auditor has confirmed that they have finished the auditing process for the annual results for the year ended 31 December 2019 (the "**Reporting Period**") of the Company. The Board is pleased to announce hereby the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the Reporting Period together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	3	**1,315,978**	1,624,305
Cost of sales		**(636,182)**	(991,881)
Gross profit		**679,796**	632,424
Other income	4	**37,710**	29,047
Other gains and losses	5	**12,010**	(49,911)
Impairment losses under expected credit loss model, net of reversal		**(28,157)**	(14,696)
Distribution and selling expenses		**(446,803)**	(399,655)
Administrative expenses		**(84,184)**	(74,353)
Finance costs	6	**(3,988)**	(1,372)
Share of loss of an associate		**(17,915)**	(14,370)
Profit before tax		**148,469**	107,114
Income tax expense	7	**(44,646)**	(22,343)
Profit for the year	8	**103,823**	84,771
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
– Fair value loss on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**(42,817)**	(60,384)
Items that may be reclassified subsequently to profit or loss:			
– Exchange difference on translation of a foreign operation		**(1,592)**	3,376
– Share of exchange difference of an associate		**1,018**	4,431
Other comprehensive expense for the year		**(43,391)**	(52,577)
Total comprehensive income for the year		**60,432**	32,194
Profit (loss) for the year attributable to:			
Owners of the Company		**104,627**	84,597
Non-controlling interests		**(804)**	174
		103,823	84,771
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**61,236**	32,020
Non-controlling interests		**(804)**	174
		60,432	32,194
		RMB yuan	*RMB yuan*
Earnings per share			
Basic	9	**0.09**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current Assets			
Property, plant and equipment		**47,459**	46,144
Right-of-use assets		**7,747**	–
Prepaid lease payments		**–**	2,063
Intangible assets		**11,980**	14,106
Interests in associates	*11*	**24,535**	27,599
Equity instruments at FVTOCI	*12*	**150,096**	180,892
Finance lease receivables		**1,353**	4,072
Deposit paid for interest in an associate		**–**	7,981
Deposits paid for acquisition of property, plant and equipment		**2,200**	–
Deferred tax assets		**7,788**	8,578
Amount due from a related party		**63,343**	63,178
		316,501	354,613
Current Assets			
Inventories		**393,359**	417,387
Finance lease receivables		**8,038**	40,268
Trade and other receivables	*13*	**327,354**	319,874
Amounts due from related parties		**8,763**	58,881
Financial assets at fair value through profit or loss ("**FVTPL**")		**198,546**	47,000
Tax recoverable		**7,103**	231
Loan to an associate		**8,147**	–
Prepaid lease payments		**–**	52
Pledged bank deposits		**12,491**	48,684
Bank balances and cash		**270,284**	150,854
		1,234,085	1,083,231
Current Liabilities			
Trade and other payables	*15*	**307,694**	200,097
Amount due to an associate		**1,700**	–
Tax liabilities		**29,959**	14,489
Bank borrowings	*16*	**48,843**	96,500
Provision		**–**	1,886
Contract liabilities		**10,816**	12,364
Obligations under finance leases		**–**	4,637
Lease liabilities		**118**	–
		399,130	329,973
Net Current Assets		**834,955**	753,258
Total Assets less Current Liabilities		**1,151,456**	1,107,871

	2019 *RMB'000*	2018 *RMB'000*
Capital and Reserves		
Share capital	**77,566**	79,071
Reserves	**1,063,982**	1,025,505
Equity attributable to owners of the Company	**1,141,548**	1,104,576
Non-controlling interests	**2,439**	1,316
Total Equity	**1,143,987**	1,105,892
Non-current liabilities		
Deferred tax liabilities	**7,400**	–
Long-term liabilities	**–**	1,979
Lease liabilities	**69**	–
	7,469	1,979
	1,151,456	1,107,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2013. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 5 November 2013. The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and the principal place of business of the Company is at No. 15, Lane 88 Wuwei Road, Putuo District, Shanghai, the People's Republic of China (the "**PRC**"). The Company's immediate and ultimate holding company is Pioneer Pharma (BVI) Co., Ltd. and Tian Tian Limited, respectively. Both companies are incorporated in the British Virgin Islands and are controlled by Mr. Li Xinzhou ("**Mr. Li**") and Ms. Wu Qian, the spouse of Mr. Li.

The Company is an investment holding company. The principal activities of the Group are the marketing, promotion and sale of pharmaceutical products and medical devices.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

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

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

***IFRS 16* Leases**

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

Definition of a lease

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

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

As a lessee

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

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

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

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

	Note	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018		95
Less: Recognition exemption – low-value assets		(58)
Recognition exemption – short-term leases		(37)
Lease liabilities relating to operating leases recognised upon application of IFRS 16		–
Add: Obligations under finance leases recognised at 31 December 2018	*(a)*	4,637
Lease liabilities as at 1 January 2019		4,637
Analysed as		
Current		4,637

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

	Note	At 1 January 2019 RMB'000
Right-of-use assets relating to operating lease application of IFRS 16		–
Reclassified from prepaid lease payments	(b)	2,115
		2,115
By class:		
Leasehold lands		2,115

Notes:

(a) In relation to assets previously under finance leases, the Group reclassified the obligations under finance leases of RMB4,637,000 to lease liabilities as current liabilities as at 1 January 2019. No relevant assets as at 1 January 2019 were recategorised as right-of-use assets as the Group had derecognised such assets under sublease arrangements.

(b) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB52,000 and RMB2,063,000, respectively, were reclassified as right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated. The directors of the Company consider that there is no material impact on the consolidated statement of financial position as at 31 December 2019, its consolidated statement of profit or loss and other comprehensive income and statement of cash flows from the application of IFRS 16 on the Group as a lessor.

Subleases

At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date.

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

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	–	2,115	2,115
Prepaid lease payments	2,063	(2,063)	–
Current Asset			
Prepaid lease payments	52	(52)	–
Current Liabilities			
Obligations under finance leases	(4,637)	4,637	–
Lease liabilities	–	(4,637)	(4,637)

Note:

For the purpose of reporting cash flows for operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to IFRSs in issue but not yet been effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

Notes:

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2022.

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

Except for the new and amendments to IFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of pharmaceutical products and medical devices in the PRC. An analysis of the Group's revenue by category is as follows:

	2019	2018
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**1,187,010**	1,524,874
Sales of medical devices	**128,968**	99,431
	1,315,978	1,624,305

Revenue from sales of pharmaceutical products and medical devices is recognised at a point of time when the customer obtains control of the distinct goods upon acceptance by customers.

The advance from customer received by the Group is recognised as a contract liability until the customer obtains control of the distinct goods.

All contracts from sales of pharmaceutical products and medical devices are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not yet disclosed.

Information reported to the executive directors, being the chief operating decision maker ("**CODM**") for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered. The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the gross profit earned by each segment.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

(a) Ophthalmic pharmaceutical products – sales of the Group's ophthalmic pharmaceutical products to the customers under the channel management arrangement ("**Products sold via the provision of channel management services**") (2018: Ophthalmic pharmaceutical products – sales of the Group's ophthalmic pharmaceutical products to the customers under the co-promotion and channel management arrangement ("**Products sold via the provision of co-promotion and channel management services**")). Both Products sold via the provision of channel management services and Products sold via the provision of co-promotion and channel management services related solely to sale arrangements with Alcon Pharmaceuticals Ltd. ("**Alcon**").

After the expiry of previous agreement as at 31 December 2018, the Group has signed a new agreement with Alcon with effective from 1 January 2019 for the sale of ophthalmic pharmaceutical products. Under the new agreement, the Group no longer provides co-promotion services for the sales of ophthalmic pharmaceutical products. Therefore, starting from 1 January 2019, the segment no longer includes such co-promotion services and the segment has been renamed to reflect the change in underlying sale arrangements and the reduction in composition and types of goods provided; and

(b) Sales of all of the Group's pharmaceutical products and medical devices except for ophthalmic pharmaceutical products to the customers under the comprehensive marketing, promotion and channel management arrangement ("**Products sold via the provision of comprehensive marketing, promotion and channel management services**").

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2019

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	**Products sold via the provision of channel management services** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**987,030**	**328,948**	**1,315,978**
Cost of sales	**(320,919)**	**(315,263)**	**(636,182)**
Gross profit & segment result	**666,111**	**13,685**	**679,796**
Other income			**37,710**
Other gains and losses			**12,010**
Impairment losses under expected credit loss model, net of reversal			**(28,157)**
Distribution and selling expenses			**(446,803)**
Administrative expenses			**(84,184)**
Finance costs			**(3,988)**
Share of loss of an associate			**(17,915)**
Profit before tax			**148,469**

For the year ended 31 December 2018

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	Products sold via the provision of co-promotion and channel management services *RMB'000*	Consolidated *RMB'000*
Segment revenue	905,138	719,167	1,624,305
Cost of sales	(319,286)	(672,595)	(991,881)
Gross profit & segment result	585,852	46,572	632,424
Other income			29,047
Other gains and losses			(49,911)
Impairment losses, net of reversal			(14,696)
Distribution and selling expenses			(399,655)
Administrative expenses			(74,353)
Finance costs			(1,372)
Share of loss of an associate			(14,370)
Profit before tax			107,114

Disaggregation of revenue from contracts with customers by major products

	2019	2018
	RMB'000	*RMB'000*
Products sold via the provision of channel management services:		
Alcon	**328,948**	–
Products sold via the provision of co-promotion and channel management services:		
Alcon	**–**	719,167
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Fluxum	**364,530**	298,188
Difene	**180,913**	162,984
Neoton	**112,125**	115,501
Polimod	**98,466**	122,896
Macmiror complex and Macmiror	**69,386**	63,460
Vinpocetine API	**17,882**	28,619
FLEET Phospho-Soda	**14,229**	13,091
Others	**531**	968
Pharmaceutical products	**858,062**	805,707
Medical equipment and supplies	**128,968**	99,431
	1,315,978	1,624,305

Geographical information

The Group principally operates in the PRC (country of domicile of major operating subsidiaries). 76% (2018: 72%) of non-current assets, excluding equity instruments at FVTOCI, finance lease receivables, deferred tax assets, and amount due from a related party of the Group are located in the PRC, and the remaining 24% (2018: 28%) is located in the United States in relation to the interest in an associate. Over 99% (2018: 99%) of the Group's revenue from external customers is attributed to the Group entities' countries of domicile (i.e. the PRC).

Information about major customers

No individual customer of the Group contributed 10% or more of the Group's revenue for both years.

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants *(Note)*	**13,172**	2,630
Interest income on bank deposits	**972**	1,727
Interest income on amount due from a related party	**5,723**	5,457
Interest income on finance leases	**5,192**	8,853
Interest income on loan to an associate	**1,437**	–
Service income	**7,447**	8,747
Dividends from an equity instrument at FVTOCI	**2,676**	1,633
Others	**1,091**	–
	37,710	29,047

Note: It represented cash received from unconditional grants by the local government to encourage the business operations in the PRC. Government grants are recognised in profit or loss when received.

5. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Net foreign exchange losses	**(3,238)**	(9,578)
Loss on disposal of property, plant and equipment	**(99)**	–
Impairment loss recognised on intangible assets	**(4,426)**	–
Gain on fair value change of financial assets at FVTPL	**6,965**	–
Gain on dilution on interest in an associate *(Note 11)*	**1,458**	7,770
Reversal of (provision for) impairment loss on interest in an associate *(Note 11)*	**10,806**	(48,103)
Gain on disposal on interest in an associate *(Note 11)*	**544**	–
	12,010	(49,911)

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank borrowings	**3,983**	1,372
Interest on lease liabilities	**5**	–
	3,988	1,372

7. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax (the "**EIT**")	**23,714**	19,963
Hong Kong Profits Tax	**2,614**	1,929
PRC withholding tax on dividends distributed by subsidiaries	**10,000**	5,000
	36,328	26,892
Underprovision (overprovision) in prior year		
EIT	**128**	(1,344)
Deferred tax		
Current year	**10,048**	(3,205)
Effect at change in tax rate	**(1,858)**	–
	8,190	(3,205)
	44,646	22,343

The Company is tax exempted under the laws of the Cayman Islands.

Pioneer Pharma (Hong Kong) Co., Limited ("**Pioneer HK**") is incorporated in Hong Kong.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong Dollars ("**HKD**") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for those described below.

According to Circular Zangzhengfa 2011 No. 14 (藏政發2011第14號通知), enterprises located in Tibet are subject to a reduced EIT rate of 15% for the period from 2011 to 2020. Moreover, according to Circular Zangzhengfa 2008 No. 62 (藏政發2008第62號通知) and Zangzhengbanfa 2011 No. 52 (藏政發2011第52號通知), enterprises that are located in Naqu Logistics Center Tibet and engaged in specific encouraged industries enjoy a 40% exemption of the EIT for a period from 8 to 10 years. As approved by the in-charge tax bureau, Naqu Area Pioneer Pharma Co., Ltd ("**Naqu Pioneer**"), which is located in Naqu, Tibet, is subject to a reduced EIT rate of 9% from 2010 to 2019. Starting from 1 January 2020, the EIT for Tibet will be 15%.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**148,469**	107,114
Tax at the applicable income tax rate of 25%	**37,117**	26,778
Tax effect of expenses not deductible for tax purpose	**11,028**	18,993
Tax effect of income not taxable for tax purpose	**(3,513)**	(2,433)
Tax effect of tax losses not recognised	**2,081**	701
Tax effect of concessionary tax rate	**(17,737)**	(25,352)
Underprovision (overprovision) in prior year	**128**	(1,344)
PRC withholding tax on dividends distributed by subsidiaries	**10,000**	5,000
Adjustment to deferred tax attributable to change in tax rate	**(1,858)**	–
Deferred tax liabilities arising on undistributed profit of the PRC subsidiaries	**7,400**	–
	44,646	22,343

8. PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**5,056**	5,773
Other staff's retirement benefits scheme contributions	**9,534**	8,879
Other staff costs	**44,697**	40,876
Total staff costs	**59,287**	55,528
Auditors' remuneration	**1,890**	1,962
(Reversal of write-down) write-down of inventories	**(830)**	1,264
Release of prepaid lease payments	**–**	52
Depreciation for property, plant and equipment	**7,472**	6,530
Depreciation of right-of-use assets	**185**	–
Amortisation of intangible assets	**1,200**	1,556
Cost of inventories recognised as an expense	**636,182**	991,881
Minimum lease payment under operating lease in respect of premises	**–**	297

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2019	2018
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB 104,627,000**	RMB 84,597,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,219,280,296**	1,249,702,677

For the years ended 31 December 2019 and 2018, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the ordinary shares purchased by the Trustee from the market pursuant to the Scheme and the ordinary shares repurchased and cancelled by the Company.

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

10. DIVIDENDS

During the year ended 31 December 2018, no dividend was paid or declared by group entities to external parties.

Subsequent to the end of the Reporting Period, a special dividend in respect of the year ended 31 December 2019 of HKD0.096 (equivalent to RMB0.086) (2018: Nil) per share, amounting to approximately HKD120,976,000 (equivalent to RMB108,370,000) (2018: Nil) in aggregate, has been approved by the directors of the Company.

Subsequent to the end of the Reporting Period, a final dividend in respect of the year ended 31 December 2019 of HKD0.035 (equivalent to RMB0.032) (2018: Nil) per share, amounting to approximately HKD44,653,000 (equivalent to RMB40,325,000) (2018: Nil) in aggregate, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. INTERESTS IN ASSOCIATES

	2019 ***RMB'000***	2018 *RMB'000*
Cost of interests in associates	**115,650**	114,081
Share of post-acquisition losses and other comprehensive expense	**(65,192)**	(48,295)
Accumulated gain on dilution	**11,374**	9,916
Impairment loss on interest in an associate	**(37,297)**	(48,103)
	24,535	27,599
Fair value of NovaBay Pharmaceuticals, Inc. ("**NovaBay**") *(Note)*	**22,835**	27,599

Note:

As at 31 December 2019, the fair value of the Group's interest in NovaBay, of which its shares are listed on the New York Stock Exchange, was United States Dollars ("**US$**") 3,269,000 (equivalent to RMB22,835,000) (2018: US$4,014,000 (equivalent to RMB27,599,000)) based on the quoted market price available on the New York Stock Exchange.

Details of the Group's interests in associates are as follows:

Name of associate	Form of entity	Class of shares held	Principal activity	Place of incorporation and operation	Proportion of ownership interest (ordinary share) and voting power held by the Group	
					2019	2018
NovaBay *(Note 1)*	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	United States	**18.57%**	30.50%
Chongqing Shushi Medical Facilities Company Limited ("**Shushi**") *(Note 2)*	Incorporated	Registered capital	Sales of medical devices	PRC	**34.00%**	–

Notes:

1. During the year ended 31 December 2019, NovaBay issued an aggregate of 10,848,000 shares with consideration of US$9,296,000 (equivalent to RMB64,941,000) (2018: 1,704,000 shares with consideration of US$5,585,000 (equivalent to RMB38,403,000)) to various investors. A gain on dilution of RMB1,458,000 (2018: RMB7,770,000) was recognised in profit or loss. As of 31 December 2019, the Group held a total of 5,188,421 ordinary shares representing approximately 18.57% (31 December 2018: 5,212,747 ordinary shares representing approximately 30.50%) of issued shares of NovaBay. During the year ended 31 December 2019, the Group sold a total of 24,326 ordinary shares of NovaBay at consideration of US$98,000 (equivalent to RMB675,000). A gain on disposal of approximately RMB544,000 was recognised in profit or loss. The Group is able to exercise significant influence over NovaBay because it has the power to appoint one out of the eight directors under the Articles of Association of this company.

2. During the year 31 December 2019, the Group has established an associate, Shushi, with other investors and owns 34% equity interest at Shushi. The Group will inject RMB1,700,000 to Shushi. Shushi is engaged in sale of medical devices but yet to commence its operation at 31 December 2019.

Indicated by the financial performance of NovaBay for the year ended 31 December 2019, the Group takes into consideration to perform annual impairment assessment for its carrying amount in accordance with IAS 36 *Impairment of Assets* as single assets.

The Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs of disposal. As the shares of NovaBay are listed on New York Stock Exchange in the United States, its fair value less costs of disposal can be determined based on the quoted market price of the shares as management of the Group considers that the cost of disposal is insignificant.

The recoverable amount of the interest in NovaBay as at 31 December 2019 has been determined based on the quoted market price less cost of disposal. The directors of the Company consider the value in use of the associate is lower than fair value less cost of disposal due to the identified going concern issue by management of the associate. As the recoverable amount of the investment is less than the corresponding carrying amount, the Group recognised a reversal of impairment loss of RMB10,806,000 (2018: impairment loss of RMB48,103,000) for the year ended 31 December 2019 in relation to the interest in an associate.

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with IFRSs.

The material associate accounted for using the equity method in the consolidated financial statements.

NovaBay

	2019	2018
	RMB'000	*RMB'000*
Non-current assets	**96,539**	97,030
Current assets	**65,109**	59,189
Non-current liabilities	**65,386**	40,592
Current liabilities	**39,184**	27,284

	2019	2018
	RMB'000	*RMB'000*
Revenue	**45,285**	82,491
Loss for the year	**69,068**	43,635
Total comprehensive expense for the year	**69,068**	43,635

Reconciliation of the above summarised financial information to the carrying amount of the interest in NovaBay recognised in the consolidated financial statements:

	2019	2018
	RMB'000	*RMB'000*
Net assets of the associate	**57,078**	88,343
Proportion of the Group's ownership interest in NovaBay	**10,599**	26,945
Goodwill	**49,533**	48,757
Impairment	**(37,297)**	(48,103)
Carrying amount of the Group's interest in NovaBay	**22,835**	27,599

12. EQUITY INSTRUMENTS AT FVTOCI

	2019	2018
	RMB'000	*RMB'000*
Listed investment:		
– Equity securities listed in Australia *(Note a)*	**119,796**	155,692
Unlisted investments:		
– Equity securities *(Note b)*	**30,300**	25,200
	150,096	180,892

Notes:

a) The listed equity investment represents 16.5% (2018: 15%) ordinary shares of an entity listed in Australian Securities Exchange, Paragon Care Limited ("**Paragon**"). During the year ended 31 December 2019, the Group has acquired additional 1.5% (2018: 15%) of ordinary shares of Paragon with consideration of RMB10,935,000 (2018: RMB223,885,000). This investment is not held for trading, instead, it is held for long-term strategic purpose. The Group waived the ability to nominate a director to the board of Paragon from 20 November 2018 to 31 December 2020. Thus, it is not considered as an associate of the Group as at 31 December 2019 and 31 December 2018. The directors of the Company have elected to designate this investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would be inconsistent with the Group's strategy of holding this investment for long-term purpose and realising its performance potential in the long run.

b) The balances as of 31 December 2019 and 31 December 2018 represent the investment in Shanghai Yuhan fund (上海譽瀚股權投資基金合夥企業(有限合夥), the "**Fund**"), which is incorporated in the PRC. The Fund specialises in making equity investment in various targets within the pharmaceutical industry. As at 31 December 2019 and 31 December 2018, the Fund received contributions from shareholders of RMB250 million, among which the Group injected RMB20 million which accounted for 8% of the equity interest of the Fund. The Fund has mainly engaged in the investment in unlisted private entities and structured bank deposit. The directors of the Company have elected to designate this investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would be inconsistent with the Group's strategy of holding this investment for long-term purpose and realising its performance potential in the long run.

As at 31 December 2019, the certain percentage of carrying amount of the listed equity investment at FVTOCI of RMB35,425,000 (2018: RMB155,692,000) has been pledged as security for the bank borrowings of RMB48,843,000 (2018: RMB96,500,000).

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**269,641**	290,638
Less: Allowance for credit losses	**(8,070)**	(20,637)
	261,571	270,001
Other receivables, prepayments and deposits	**22,098**	15,054
	283,669	285,055
Advance payment to suppliers	**31,717**	22,792
Other tax recoverable	**11,968**	12,027
Total trade and other receivables	**327,354**	319,874

As at 1 January 2018, trade receivables amounted to RMB492,246,000.

In relation to the sales of pharmaceutical products, the Group allows a credit period from 30 days to 180 days to its trade customers.

For sales of medical devices, except for sales of medical devices under finance lease pursuant to which the legal ownership is transferred upon full payment of the contract sum, the remaining sales of medical devices involved immediate transfer of legal ownership with contract sums to be settled by instalments over a general period of 12 to 36 months as stated in contracts are included in trade receivables.

The following is an ageing analysis of trade receivables net of allowance for credit losses, presented based on invoice date at resepective reporting dates, which approximated the respective revenue recognition dates:

	2019	2018
	RMB'000	RMB'000
0 to 60 days	**189,194**	162,345
61 days to 180 days	**56,911**	72,104
181 days to 1 year	**11,188**	19,182
1 year to 2 years	**3,561**	12,783
Over 2 years	**717**	3,587
	261,571	270,001

As at 31 December 2019, total bills received amounting to RMB35,080,000 (31 December 2018: RMB42,647,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB68,040,000 (2018: RMB86,464,000) which are past due as at the reporting date. Out of the past due balances, RMB15,466,000 (2018: RMB27,483,000) has been past due 90 days or more and is not considered as in default because there had not been significant change in credit quality and the amounts are still considered recoverable. Other than bills received amounting to RMB35,080,000 (2018: RMB42,647,000), the Group does not hold any collateral over these balances.

14. FINANCIAL ASSETS AT FVTPL

	2019	2018
	RMB'000	*RMB'000*
Unlisted investments:		
– Structured bank deposits *(Note a)*	**166,546**	47,000
– Trust *(Note b)*	**32,000**	–
	198,546	47,000

Notes:

(a) During the year ended 31 December 2019, the Group entered into several contracts of structured deposits with banks in the PRC. The structured bank deposits earn minimum return of 0.30% to 2.85% per annum, while the total expected return is up to 3.46% to 4.00% per annum (2018: 2.60% per annum). The contracts are with maturity on or before 27 August 2020 or are redeemable on demand. The principal of RMB166,546,000 (2018: RMB47,000,000) was guaranteed by the relevant banks as at 31 December 2019.

(b) The balance as of 31 December 2019 represents the investment in Wuxing Huixin Wealth Management Trust (五行匯誠資產配置集合資金信託, the "**Trust**"), which is incorporated in the PRC. The Trust specialises in investing in fixed income products. As at 31 December 2019, the Trust received contributions from shareholders of RMB4,570 million, among which the Group injected RMB32 million which accounted for 0.7% of the interest of the Trust. The Trust is redeemable after 18 September 2020 and will mature on 19 December 2020. The principal of RMB32,000,000 was not guaranteed by the Trust. The expected return of the Trust is 7.05% per annum.

15. TRADE AND OTHER PAYABLES AND LONG-TERM LIABILITIES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**263,532**	143,259
Payroll and welfare payables	**4,229**	4,340
Other tax payables	**1,321**	829
Marketing service fee payables	**12,175**	23,647
Deposits received from distributors	**19,946**	21,995
Accrued purchase	**–**	1,979
Other payables and accrued charges	**6,491**	6,027
	307,694	202,076
Less: Amounts due after one year shown under long-term liabilities *(Note)*	**–**	(1,979)
	307,694	200,097

Note: The amount represented the accounts for the cost of medical devices which were sold under the finance lease contracts and was not payable within one year.

The Group typically receives credit periods on its purchase of goods from 30 days to 180 days.

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

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**262,796**	139,040
91 to 180 days	**2**	4,089
181 to 365 days	**604**	–
Over 365 days	**130**	130
	263,532	143,259

16. BANK BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Carrying amount of bank borrowings repayable within one year and shown under current portion	**48,843**	96,500
Analysed as:		
Secured	**48,843**	96,500

The borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2019	2018
	RMB'000	*RMB'000*
Pledge of assets		
Trade receivables *(Note a)*	**–**	267,499
Equity instrument at FVTOCI for bank borrowing *(Note b)*	**35,425**	155,692
Pledged bank deposits for letter of credit	**12,491**	48,684
	47,916	471,875

Notes:

a) Included in the balances are inter-company trade receivables amounting to RMB32,058,000 which was pledged for the banking facility as at 31 December 2018.

b) Certain percentage of equity instrument at FVTOCI amounting to RMB35,425,000 (2018: RMB155,692,000) has been pledged for the bank borrowing of RMB48,843,000 (2018: RMB96,500,000) that is denominated in Australian Dollar ("**AUD**").

The effective interest rate on the Group's variable-rate borrowings is Bank Bill Swap Bid Rate ("**BBSY**") plus 2.75% (2018: BBSY plus 2.75%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

In 2019, China's medical reform entered into a new stage. As new policies continue to be introduced, new regulations continue to be promulgated and new pilots continue to be implemented, the pharmaceutical industry underwent profound changes. Looking back on the overall situation of the industry, despite the incremental improvement of the National Medical Security Administration system and pressure put on drug prices by medical insurance cost control policies, there is still great and steady growth in the demand in the industry remains against the backdrop of consumption upgrade and the acceleration of ageing population, and the industry is still on a rise. The incremental implementation of the "Consistency Evaluation of Generic Drugs" and the dissemination of the "Adjuvant Drug List" are pushing forward structural adjustments of the industry, and further polarizes the enterprises in the industry.

Specifically for the Group, the government's support and preferential policies on innovative drugs and medical devices, such as optimization of the approval process and accreditation of international clinical trial data, will help to expand the range of products for the Group's selection. As each province strengthens its implementation of national policy requirements on medical insurance, the Group's medicine and medical equipment will enhance the effective use of medical insurance proceeds with its clear curative effects and high quality, thereby further highlighting the Group's competitive edge in the market. The Group will leverage its advantages in product quality and brand image and strengthen its academic promotion, so as to seize opportunities to further develop its business amidst a changing and challenging market environment.

For the Reporting Period, through the Group's active effort on organizing the market potential and promotion strategies of products, as well as increasing the frequency and depth of academic promotion activities, most of the products sold via the provision of comprehensive marketing, promotion and channel management services continued to achieve pleasing results. As disclosed in the Company's announcement dated 28 December 2017, the Alcon's ophthalmic pharmaceutical products were sold by the Group via the provision of co-promotion and channel management services, during the transition period. According to the distribution agreement signed by the Group and Alcon, since 2019, the Group has been exclusively entitled to the sale of 10 specifications in 8 types of Alcon's ophthalmic pharmaceutical products, which has had a great impact on the overall performance of the Group.

For the Reporting Period, the Group's revenue decreased by 19% year-on-year to RMB1,316.0 million (2018: RMB1,624.3 million), gross profit increased by 7.5% year-on-year to RMB679.8 million (2018: RMB632.4 million) and net profit for the year increase by 22.5% year-on-year to RMB103.8 million (2018: RMB84.8 million).

For the Reporting Period, the Group's revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 6.5% compared to last year to RMB858.1 million, representing 65.2% of the Group's revenue for the Reporting Period. Gross profit increased by 9.3% compared to last year to RMB578.6 million, representing 85.1% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 29.7% compared to last year to RMB129.0 million, representing 9.8% of the Group's revenue for the Reporting Period. Gross profit increased by 54.9% compared to last year to RMB87.5 million, representing 12.9% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from Alcon's Products sold via the provision of channel management services was RMB328.9 million, representing 25.0% of the Group's revenue for the Reporting Period. Gross profit was RMB13.7 million, representing 2.0% of the Group's gross profit for the Reporting Period.

1. Product Development

As at 31 December 2019, the Group had a product portfolio of pharmaceutical products (mostly being prescription medicine) covering ophthalmology, pain management, cardiovascular, immunology, gynecology, gastroenterology and other therapeutic areas, and medical devices covering several medical specialties, including ophthalmology, orthopedics, odontology and wound care products.

1.1 Products Sold via the Provision of Comprehensive Marketing, Promotion and Channel Management Services

Category	**2019** ***RMB'000***	**Percentage of the Group's total revenue/ gross profit** ***(%)***	2018 *RMB'000*	Percentage of the Group's total revenue/ gross profit *(%)*
Revenue:				
Pharmaceutical Products	**858,062**	**65.2**	805,707	49.6
Medical Devices	**128,968**	**9.8**	99,431	6.1
Gross Profit:				
Pharmaceutical Products	**578,587**	**85.1**	529,359	83.7
Medical Devices	**87,524**	**12.9**	56,493	8.9

During the Reporting Period, as a result of many factors, such as the trend towards refined medical insurance cost control, the increasingly stringent management of drug's clinical pathway and the control on the percentage of drug sales in total revenue of public medical institutions, although the effects from the decrease in drug prices in tender processes and control on the drug consumption in medical institutions remained, the trend towards structural differentiation for clinical use of drugs became more obvious. The Group adopted a sensible promotion strategy, highlighting the products' superior quality and clear clinical effectiveness, resulting in the Group securing a stable market position for its products. The provision of comprehensive marketing, promotion and channel management services of the Group maintained a steady development. During the Reporting Period, revenue generated from this segment slightly increased by 6.5% compared to last year to RMB858.1 million, representing 65.2% of the Group's revenue for the Reporting Period. Gross profit increased by 9.3% compared to last year to RMB578.6 million, representing 85.1 % of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB180.9 million, representing an increase of 11.0% compared to last year. Through proactively organizing and participating in various academic conferences, the Group seized the opportunities for increasing brand publicity, and refined its strategy of academic promotion, so as to expand the market coverage through accelerating its penetration into more hospitals and small-sized medical institutions, which contributes to an effective market coverage as well as increasing the sales of Difene at each target hospital. With the constant expansion of the coverage of medical institutions, the superior quality of Difene has gained recognition from more doctors and patients, and the brand recognition of the products has also been further strengthened. Difene is the sole dosage product among its product type in the market and comes in with 10-pack and 20-pack specifications. In the past, revenue from Difene mainly originated from sales of the 10-pack specification. Benefiting from the Group's overall layout in the past year, as well as the official execution of new tender results in more provinces, the 20-pack specification of Difene has become a significant supplement to the market, achieving an increasing contribution to the Group's revenue. Meanwhile, Difene is the sole dosage product among its type in the market and was admitted into the "Catalogue of Reference Preparations for Chemical Generic Drugs (No. 22)" published by the National Medical Products Administration in June 2019 and the new edition of "National Basic Medical Insurance, Industrial Injury Insurance and Maternity Medicine Catalogue". Through increased marketing activities, such as education programmes for doctors and patients on the product, the Group will further expand the market influence of the reference medicinal products, so as to manifest their market competitiveness and consistent good quality.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB364.5 million, representing an increase of 22.2% compared to last year. As one of the Group's best-selling products, leveraging the advantages in the product's quality, sound market layout and sensible promotion strategy, Fluxum has maintained rapid growth over the past few years. During the Reporting Period, the Group constantly expanded Fluxum's brand recognition through in-depth exploration on the characteristics of product differentiation, strict implementation of the strategy of professional academic promotion, as well as actively expanding and deepening the network of clinical experts. Fluxum was listed as an imported low molecular weight heparin product in the new version of National Drug Reimbursement Catalogue. Accordingly, to fully capture this opportunity for market expansion, the Group has entered into a number of new markets through sensible bidding strategies, and continuously increased its market share by closely following and effectively participating in clinical promotions. Furthermore, with more doctors from the relevant departments paying attention to the prevention of venous thrombosis, Fluxum not only continued to maintain its brand advantage in the field of traditional surgery, but also extended the scope of its application to other hospital departments, such as internal medicine. Due to its leading market position among similar products and improved market layout, as well as the increasing awareness of anticoagulation in more hospitals and departments, the Group believes that Fluxum has a solid foundation for long-term growth.

For the Reporting Period, the Group's revenue generated from sales of Polimod was RMB98.5 million, representing a decrease of 19.9% compared to that of last year. Polimod is the originator of pidotimod. It is a synthetic oral immune stimulant that works by stimulating and regulating cell-mediated immune response, and is applied to patients with immune dysfunction, such as respiratory tract infections, otolaryngology infections, urinary tract infections and gynaecological infections. The Group's rights to market, promote and sell Polimod were extended from eight provinces to the whole country in March 2016, thereby improving the market potential of the product significantly. In the beginning of 2018, as the trial data on their safety and effectiveness of pidotimod products were out-dated, all the pidotimod products sold in China were challenged by certain wemedia, causing confusion to the clinicians and patients. The China Food and Drug Administration ("**CFDA**") later required the revision of drug instructions of all the pidotimod products, to identify that it could be used for chronic or recurrent respiratory tract infections and urinary tract infections of children over three years old. CFDA also required that the clinical trial of effectiveness for the Pidotimod products should be completed within three years. The sales of Polimod in certain areas, especially in markets where clinicians and patients are not very familiar with the product, decreased significantly due to the impact of this event. In response, the Group has taken a number of measures, such as inviting medical experts from the product's supplier to China to explain, in details and with support of scientific proof and the way of Polimod functions and operates, as well as cooperating with marketing partners in delivering product information to clinicians in a professional manner. Moreover, the supplier of the product has reported the plan of clinical trial of its effectiveness to CFDA, and related work on the trial is progressing in an orderly manner. Based on thousands of clinical research data of Polimod before and after it was launched in the market, the Group firmly believes that with the advancement of clinical effectiveness trial, Polimod will eliminate the concerns of clinicians and patients with scientific data and will return to the track of rapid development.

The business segment of other drugs of the Group has achieved further development under market adjustment. For the Reporting Period, the Group's revenue generated from sales of these products was RMB214.2 million, representing a decrease of 3.4% compared to that of last year. Specifically, the Group's cardiovascular product, Neoton, being the sole imported originator of creatine phosphate sodium for injection, the Group seized the opportunity of the new round of tender processes in various provinces in China and by implementing sensible bidding strategies, successfully entered into a number of important new markets. However, due to influence by policies, the sale of Neoton recorded a decrease of 2.9% compared to that at last year, but which is still observably lower than similar products. Meanwhile, through the international academic conference platform, the Group endeavors to promote clinicians awareness of Neoton's therapeutic status in the field of myocardial protection, particularly in the field of myocardial damage. Although Neoton was admitted into the first "National Catalog of the First Batch of Drugs under Close Monitoring of Rational Drug Use (for Chemical Medicines and Biological Products)" in July 2019, the Group believes that, through such measures as leveraging the international academic status of Neoton and constantly organizing academic and promotional activities in respect of the product, focusing on the field of cardiac therapy and promoting the popularization of reasonable dosage on clinical application, the Group may strengthen the recognition of the products among doctors and patients and increase its market share in the Neoton market. The Group's gynecological product, Macmiror Complex, lays a solid ground for the academic promotion of the product. With the inclusion of the product in the new version of National Drug Reimbursement Catalogue, the Group strengthened its marketing and promotion activities targeted at hospitals and departments covered by its network, improved the coverage of its distribution network by spreading to more primary institutions and endeavored to grow its share in the gynecology therapeutic market. In addition, the group has stopped purchasing Macmiror products due to production that announced by the manufacturer in 2019. Given the competitive pharmaceutical market and constant changes of policies, the Group will take full advantage of the competitive edge and development opportunities of these products, so as to continuously increase their contribution to the Group's revenue.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 29.7% compared to that of last year to RMB129.0 million, representing 9.8% of the Group's revenue for the Reporting Period. Gross profit increased by 54.9% compared to that of last year to RMB87.5 million, representing 12.9% of the Group's gross profit for the Reporting Period. The Group's overall performance of the business segment of medical devices was still affected by factors such as the decrease in bidding prices of some medical device consumables and market competition. However, based on the features of its products, the Group organized its promotion strategy carefully, and accelerated the marketing campaigns of products launched for a shorter time, so as to lay the foundation for the future business development of the medical device sector. Specifically, during the Reporting Period, the sales of ophthalmic surgical equipment and consumables and dental equipment and consumables still achieved solid growth. Moreover, the sales of NeutroPhase (wound cleansing liquid application product) has also witnessed rapid growth trend following the adjustment of promotion direction and strategies. The Group will gradually enhance the market position of medical devices products, strengthen its promotion activities, and improve the contribution of this business segment to the Group's revenue.

1.2 Products Sold via the Provision of Co-Promotion and Channel Management Services

Category	**2019**	**Percentage of the Group's total revenue/ gross profit**	2018	Percentage of the Group's total revenue/ gross profit
	RMB'000	***(%)***	*RMB'000*	*(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	**328,948**	**25.0**	719,167	44.3
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**13,685**	**2.0**	46,572	7.4

A new agreement was entered into between the Group and Alcon on 1 January 2019, pursuant to which the Group was exclusively entitled to the import, storage, distribution and sale of 10 specifications in 8 types of Alcon's pharmaceutical products. This agreement runs for a term of three years commencing from 1 January 2019. Moreover, the Group has been entitled to the distribution and sale of 13 types of the ophthalmological products of Novartis group to private hospitals in China for a term of one year commencing from 1 January 2019.

The Group and Alcon have been cooperating with each other for over twenty years and have together witnessed the development and changes of the ophthalmic pharmaceutical market in China. The continuation of this cooperation will help to strengthen the Group's long-term partnership with Alcon as well as the Group's profitability.

For the Reporting Period, the Group's revenue generated from this segment was RMB328.9 million, representing 25.0% of the Group's revenue for the Reporting Period. Gross profit was RMB13.7 million, representing 2.0% of the Group's gross profit for the Reporting Period.

1.3 Product Pipeline

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceutical and medical device companies. In addition to the existing products referred to above, product pipeline development is also at the core of the Group's strategy of expanding and optimizing its product portfolio. The Group's aim is to build up a product pipeline that will sustain the Group's long-term growth. When selecting prospective products, the Group takes into consideration the factors, such as clinical effectiveness, competitive environment, product registration and regulatory regime and reputation of suppliers.

The Group has several products in respect of which it is applying or ready to apply for registration with CFDA. For instance, the bioequivalence experiment of Mirtazapine Orodispersible Tablets (produced by Ehypharm of France, mainly used for the treatment of depressive episodes) has been completed smoothly and its Imported Drug License filing has been under preparation. The Group is also preparing for the clinical trial for DRL Night Rigid Gas Permeable Contact Orthokeratology-Lens (produced by Precilens of France, used for temporary correction of myopia). Meanwhile, in 2019, the Group achieved an authority of distribution for the Urofollitropinfor injection produced by IBSA Institut S.A., which is approved for re-registration now.

In 2019, in accordance with the requirement of "Reform Opinions on Deepening the Review and Approval System and Encouraging the Innovation of Medical Products" issued by General Office of the State Council, several reform measures in respect of Chinese pharmaceuticals and medical devices approval policies were pushed forward. In particular, the optimization of clinical trial review and approval procedures, as well as the acceptance of overseas clinical trial data, will result in accelerating the launched process in China for overseas high-quality pharmaceuticals and medical devices. The Group proactively maintains close liaison with a number of overseas pharmaceutical and medical device companies in order to introduce their products with potentials or market foundations for marketing, promotion and sales in a timely manner.

2. Marketing Network Development

Since 2018, the "Two-Invoice System" policy has been fully implemented in all provinces of the whole country. As the sole importer of an overseas medical product in China, the Group is considered as the manufacturer of such imported medical product under the "Two-Invoice System". The Group's business model has also been optimized and improved. During the Reporting Period, the Group has continually refined the network of distributors, and consolidated product distribution channels to meet the requirements of "Two-Invoice System" policy. Meanwhile, it also helps to enhance the Group's operational efficiency and to prevent operational risk.

The Group's marketing and promotion model involves both in-house teams and third-party promotion partners. To maintain the efficiency and stability of the marketing network, the Group has established an in-house sales and product academic support team for each product business unit, to manage and support their third-party promotion partners. The Group's marketing and promotional activities are carried out by the in-house teams and third-party promotion partners. The in-house teams are primarily responsible for formulating marketing and promotion strategies, conducting pilot marketing programmes, and appointing, training and supervising third-party promotion partners. Third-party promotion partners are responsible for most of the day-to-day marketing and promotional activities for the Group's products.

During the Reporting Period, the Group continued to implement the operational mechanism of product business unit divided by products or product series, and to conduct products' promotion and sales work. The Group has established a sales and product manager team for each product business unit, to manage and support their third-party promotion partners. In the environment of ever-changing policies and violent market competition of pharmaceutical industry, the Group constantly adjusted and optimized all components within the marketing network, with the aim of strengthening rapid market responsiveness, as well as effective and professional product promotion activities. During the Reporting Period, with more attention paid by the Group to the academic training of the in-house marketing team, the Group strengthened the frequency and depth of the involvement of the internal marketing team in marketing activities for product academic promotion, so as to raise the internal core driving force for the product promotion. According to the market situation, the Group has also increased its efforts in optimizing the network structure of the third-party promotion partners, and has improved the understanding and knowledge for the products of the third-party promotion partners, including providing further large-scale and normalized training, and assisting them in providing doctors with clinical solutions related to the products. Through the close collaboration between in-house teams and third-party promotion partners, the Group shared the pharmaceutical policies and market information all over the country, and improved the communication mechanism and platform with third-party promotion partners so as to improve the operation efficiency and continuously drive the Group's products development. During the Reporting Period, the development of the Group's marketing network led to a significant improvement to its market coverage. For instance, number of hospitals and medical institutions using Difene has increased by 4,952, the number of hospitals using Fluxum has increased by 598. In the constantly changing pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group's operation.

3. Significant Investments

Save for the investment in Paragon as disclosed herein, the Group did not have any investment in an investee company with a value of 5% or more of the Group's total assets as at 31 December 2019.

3.1 Investment in NovaBay

NovaBay is a biopharmaceutical company incorporated in Delaware, United States developing products for the eye care market, and currently focuses primarily on commercializing the prescription of Avenova® for managing hygiene of eyelids and lashes in the United States. Its shares are traded on the New York Stock Exchange. The Group commenced its business relationship with NovaBay in 2012 and obtained the exclusive rights to market, promote and sell NovaBay's NeutroPhase products in China and certain Southeast Asia markets in the same year.

The Group has made several rounds of investments in NovaBay since 2013. As of 31 December 2019, the Group held a total of 5,188,421 ordinary shares of NovaBay, representing approximately 18.57% of its equity interest, and did not hold any NovaBay warrants.

NovaBay is now focusing primarily on commercializing the prescription of Avenova® in the United States. The investment allows the Group to enhance its business relationship with NovaBay.

For the year ended 31 December 2019, the Company recognised an impairment loss of RMB37.3 million in relation to the Group's investment in NovaBay, due to the overall drop in share price and the going concern issue of NovaBay identified by its management. For further information of the business and financial performance and prospects of NovaBay, please refer to the 2019 annual and quarterly reports of NovaBay published on its website.

NovaBay announced on 29 June 2019 that it had issued and placed 1,371,427 shares for an amount of USD2,400,000. It had announced in 2018 that the management of the company had identified that the company had faced a going concern issue. The New York Stock Exchange has accepted the compliance plan of NovaBay after this placing.

In February 2019, the Group and NovaBay signed a loan agreement according to which the Group provided an amount of USD1 million loan to NovaBay.

3.2 Investment in Paragon

Paragon is a company incorporated in Victoria, Australia with limited liability whose shares are listed on the Australian Securities Exchange (stock code: PGC). Paragon, through its subsidiaries, is principally engaged in the supply of durable medical equipment, medical devices and consumable medical products providing end to end solutions for the acute, aged and primary care markets throughout Australia and New Zealand.

As of 31 December 2019, the Group held a total of 56,856,735 ordinary shares of Paragon, representing 16.5% of the total issued shares of Paragon. The Company first invested in Paragon in 2018 and a the accumulated total investment cost as of 31 December 2019 is RMB 234,820,000, of which the fair value of RMB 119,796,000 is recognised, accounting for 7.72% of the Company's total assets as at 31 December 2019. During the Reporting Period, the company made no disposal or sale of the investment, and received a total dividend of AUD554,602.24. For further details of the performance of the stock price and business operation of Paragon, please refer to the disclosures and financial reports of Paragon published on the Australian Securities Exchange and its company website.

In respect of investment strategy, the Company considers that the investment in Paragon is in line with the principal business of the Group, enabling the Group to step up its presence in Australia and New Zealand, and forms the basis for further cooperation between the Group and Paragon. As such, this investment is not intended to be held for trading, and is, instead, held for long-term strategic purpose. In particular, the Group intends to explore opportunities in the sales of certain of the Group's products in Australia and New Zealand and the distribution of the certain products of Paragon or other suppliers (through the business network of Paragon) in the PRC.

3.3 Investment in Pioneer Huimei

In June 2018, the Group, through a wholly-owned subsidiary, Naqu Pioneer established Sichuan Pioneer Huimei Biotechnology Co., Ltd. ("**Pioneer Huimei**") with Chengdu Huimei Biotechnology Co., Ltd. (成都匯美生物科技有限公司). Naqu Pioneer contributed RMB10.5 million to the registered capital of Pioneer Huimei, representing 70% of its entire equity interest.

Pioneer Huimei is committed to the development of biotech products and technologies, primarily focusing on medical aesthetics and healthcare industry. With the big data and artificial intelligence technology, it has been able to connect online and offline channels in order to provide consumers with integrated services. Pioneer Huimei has entered into an cooperation agreement of clinical observation with West China Hospital of Sichuan University, with a view to researching on the efficiency of Pioneer Huimei's hair growth products. The Group believes that the investment in Pioneer Huimei is a promising attempt to make full use of modern technology and internet platforms, and is conducive to further enriching the Group's products and innovation of sales channels.

3.4 Investment in Rongchang Production Base

In 2019, the Group, through a wholly-owned subsidiary, Chongqing Qianfeng Pharmaceutical Co., Ltd. (重慶乾鋒製藥有限公司) ("**Chongqing Qianfeng**"), obtained the state-owned construction land use right of land numbered as 2019-RC-1-03 transferred from Rongchang District Government of Chongqing Municipality. The land covers areas of 38,972 m^2 at the transfer price of RMB5,998,800. In March 2019, Chongqing Qianfeng and the local government entered into an agreement of land use right transfer and obtained the right to use the state-owned construction land.

In June 2019, the ground-breaking ceremony of the Rongchang's production base was held by Chongqing Qianfeng, and according to the Investment Agreement signed by the Group and Rongchang Government, the planned building area of this project will be over 40,000 m^2.

This Project is a significant strategic plan for the Group to move from a sales-oriented company to a comprehensive pharmaceutical company integrating research and development, production and sales. Through such series of measures, the Group hopes to ride on the policy of national industry development and make Rongchang production base an open technology platform, introduce new technologies and new products, realize the localization of high-quality imported products, and fully exercise the comprehensive advantage of manufacturing and sales integration of the Group, so as to constantly improve the market competitiveness and profitability of the Group.

3.5 Investment in DMAX Co

In January 2020, the Group has, via Pioneer Pharma (Hong Kong) Co., Limited, a subsidiary of the Company, made an investment of US$3,000,000 in DMAX Co., Ltd ("**DMAX Co**"), a company established in the Republic of Korea ("**Korea**").

Pursuant to the subscription agreement entered into by the parties, DMAX Co shall issue and Pioneer Pharma (Hong Kong) Co., Limited shall subscribe for 8,906 shares in the capital of DMAX Co for a consideration of US$3,000,000. Upon the completion of the issuance, the Company, through its subsidiary, held 25% of the issued share capital of DMAX Co, and will have the right to appoint a person as a director of DMAX Co.

DMAX Co is a reputable manufacturer of zirconia products in Korea and is primarily engaged in producing zirconia-related dental products, including veneers, crowns and implants, etc. Since the Company's acting as the exclusive agent of the products of DMAX Co in China (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) from 2018, both parties have together dedicated themselves to the promotion of the products of DMAX Co in China. The zirconia-related dental products of DMAX Co have found popularity with its unique medical aesthetics techniques since the entry into the China market. The investment this time will further facilitate the both parties to deepen cooperation and consolidate partnership in exploration of the market share of the products of DMAX Co in China.

4. Future and Outlook

With the deepening of China's medical reform, the pharmaceutical industry is gradually forming a new ecosystem. As a result of profound changes in different areas, such as traditional research and development, review and approval, as well as the pricing systems, the pharmaceutical market is facing a significant structural adjustment. In general, the PRC pharmaceutical industry is moving towards diversification in the long run. There will be more development opportunities for products that satisfy therapeutic needs and possess clear clinical value. The Group will continuously focus on the introducing and developing new products, enhancing marketing and promotion capabilities, expanding market coverage through win-win cooperation, enriching the industrial chain through mergers and acquisitions in a timely manner, responding proactively amidst the environment teeming with challenges and changes in the PRC, and forging vigorously ahead, so as to realise the new blueprint of the Group's future development.

In the meantime, the Group has been actively exploring opportunities to ascertain markets with growth potential for its future development and further expansion, and to create value for and enhance the returns to the shareholders of the Company (the "**Shareholders**"). To this end, the Group has been in the process of ascertaining and exploring opportunities in business areas with promising prospect, including the environmental protection industry in China, while insisting on carrying on the existing principal businesses in providing comprehensive marketing, promotion and channel management services for imported pharmaceutical products and medical devices as its core businesses. As at the date of this announcement, the Group is in the process of developing its business strategy in the potential new business and has yet to formulate any specific plans or to locate any specific targets for merger and acquisition, nor has it reached any agreement with any joint venture partners or business parties in relation to the potential new business. For details, please refer to the announcement of the Company dated 3 February 2020.

The outbreak and ramification of COVID-19 worldwide and the subsequent measures and restrictions cross-border since early 2020 have imposed risks on the global environment and will subject the operations of the Group to uncertainty. Given the changeable nature of the circumstances, the Directors consider that the financial effects cannot be accurately estimated as at the date of this announcement, but expect that, with the prudent management and corporate governance in place, the Group will remain a going concern.

FINANCIAL REVIEW

Revenue

Revenue decreased by 19.0% from RMB1,624.3 million in 2018 to RMB1,316.0 million in 2019. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 6.5% from RMB805.7 million in 2018 to RMB858.1 million in 2019, primarily due to the increase in sales as a result of enhanced the promotion of main products. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 29.7% from RMB99.4 million in 2018 to RMB129.0 million in 2019, primarily due to an increase of sales quantity on certain products as a result of the influence of the improved promotion efficiency. Revenue generated from products sold via the channel management services was RMB328.9 million in 2019.

Cost of sales

Cost of sales decreased by 35.9% from RMB991.9 million in 2018 to RMB636.2 million in 2019, primarily due to a decrease in sales of Alcon products. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 1.1% from RMB276.3 million in 2018 to RMB279.5 million in 2019. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 3.5% from RMB42.9 million in 2018 to RMB41.4 million in 2019. Cost of sales for products sold via the channel management service was RMB315.3 million in 2019.

Gross profit and gross profit margin

Gross profit increased by 7.5% from RMB632.4 million in 2018 to RMB679.8 million in 2019. The Group's average gross profit margin increased from 38.9% in 2018 to 51.7% in 2019. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased from 65.7% in 2018 to 67.4% in 2019, primarily because a higher proportion of the Group's revenue during the Reporting Period was derived from the sales of certain products which generally generated higher gross profit margins. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased from 56.8% in 2018 to 67.9% in 2019, primarily due to an increase in sales proportion of products which generally generated higher gross profit margins. The Group's gross profit margin for products sold via the provision of channel management services was 4.2% in 2019.

Other income

Other income increased by 29.8% from RMB29.0 million in 2018 to RMB37.7 million in 2019, primarily due to an increase in the amount of government grants received by the Group.

Distribution and selling expenses

Distribution and selling expenses increased by 11.8% from RMB399.7 million in 2018 to RMB446.8 million in 2019, primarily due to an increase in marketing and promotion expenses as a result of an increase in marketing and promotion activities for expanding the market shares of certain products. Distribution and selling expenses as a percentage of revenue increased from 24.6% in 2018 to 34.0% in 2019.

Administrative expenses

Administrative expenses increased by 13.2% from RMB74.4 million in 2018 to RMB84.2 million in 2019, primarily due to an increase of labor costs and office expenses. Administrative expenses as a percentage of revenue increased from 4.6% in 2018 to 6.4% in 2019.

Finance costs

Finance costs increased by 190.7% from RMB1.4 million in 2018 to RMB4.0 million in 2019, primarily due to an increase in the amount of bank loans which results in higher interest expense.

Other gains and losses

The Group recorded other gains and losses at a net gain of RMB12.0 million in 2019 primarily due to the reversal of impairment loss on investment in NovaBay. A net loss of RMB49.9 million in 2018 primarily due to the impairment loss on investment in NovaBay.

Income tax expense

Income tax expense increased by 99.8% from RMB22.3 million in 2018 to RMB44.6 million in 2019. The Group's effective income tax rates in 2019 and 2018 were 30.1% and 20.9%, respectively. Since the beginning of 2019, the Group has been conducting business primarily through Naqu Pioneer and Chongqing Pioneer, and Naqu Pioneer was subject to a reduced enterprise income tax rate of 9%.

Profit for the year

As a result of the above factors, the Group's profit increased by 22.5% from RMB84.8 million in 2018 to RMB103.8 million in 2019. The Group's net profit margin increased from 5.2% in 2018 to 7.9% in 2019.

LIQUIDITY AND CAPITAL RESOURCES

Cash Status

The Group has historically met its working capital and other capital requirements principally from net cash flow supplemented by bank borrowings. The Group's cash and cash equivalents increased from RMB150.9 million as of 31 December 2018 to RMB270.3 million as of 31 December 2019.

The following table is a condensed summary of combined statements of cash flows for the year ended 31 December 2019:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net cash from operating activities	**280,642**	128,667
Net cash used in investing activities	**(82,643)**	(198,627)
Net cash used in financing activities	**(78,545)**	(4,845)
Net increase/(decrease) in cash and cash equivalents	**119,454**	(74,805)
Cash and cash equivalents at beginning of the year	**150,854**	226,154
Effect of foreign exchange rate changes	**(24)**	(495)
Cash and cash equivalents at end of the year	**270,284**	150,854

Net cash flow from operating activities

In 2019, the Group's net cash from operating activities was RMB280.6 million compared to net cash from operating activities of RMB128.7 million in 2018. This was mainly due to the enhancement of collection of receivables and an increase in operating profit during the Reporting Period.

Net cash flow used in investing activities

In 2019, the Group's net cash used in investing activities was RMB82.6 million compared to net cash used in investing activities of RMB198.6 million in 2018. This was mainly due to that the group enhanced working capital management.

Net cash used in financing activities

In 2019, the Group's net cash used in financing activities was RMB78.6 million compared to net cash used in financing activities of RMB4.8 million in 2018. This was mainly because of payment of bank borrowings and share repurchases.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB48.8 million as at 31 December 2019 compared to RMB96.5 million as at 31 December 2018. On 31 December 2019, the effective interest rate of the Group's bank borrowings was from 3.54% to 4.50%. All bank borrowings were denominated in AUD. The bank borrowings of AUD10.0 million were secured by the Group's equity instrument at FVTOCI. On 31 December 2018, bank borrowings of RMB20.0 million were secured by the Group's equity instrument at FVTOCI. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 3.1% as at 31 December 2019 compared to 6.7% as at 31 December 2018.

Net Current Assets

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current Assets		
Inventories	**393,359**	417,387
Finance lease receivables	**8,038**	40,268
Trade and other receivables	**327,354**	319,874
Amounts due from related parties	**8,763**	58,881
Financial asset at FVTPL	**198,546**	47,000
Tax recoverable	**7,103**	231
Loan to an associate	**8,147**	–
Prepaid lease payments	**–**	52
Pledged bank deposits	**12,491**	48,684
Bank balances and cash	**270,284**	150,854
	1,234,085	1,083,231
Current Liabilities		
Trade and other payables	**307,694**	200,097
Amounts due to related parties	**1,700**	–
Tax liabilities	**29,959**	14,489
Bank borrowings	**48,843**	96,500
Provision	**–**	1,886
Contract liabilities	**10,816**	12,364
Obligations under finance leases	**–**	4,637
Lease liabilities	**118**	–
	399,130	329,973
Net Current Assets	**834,955**	753,258

As of 31 December 2019, the Group has sufficient working capital and financial resources for daily operations.

Inventories

The Group's inventory balances decreased by 5.8% from RMB417.4 million as at 31 December 2018 to RMB393.4 million as at 31 December 2019, primarily due to a decrease in the inventory level of Alcon's Products resulted from the decrease of sales.

Trade and other receivables

The Group's trade and other receivables increased by 2.3% from RMB319.9 million as at 31 December 2018 to RMB327.4 million as at 31 December 2019. Trade receivables turnover days decreased from 88.0 days as at 31 December 2018 to 77.7 days as at 31 December 2019, primarily due to the Group continued to strengthen the management of receivables, and to enhance the collection efforts during the Reporting Period.

Trade and other payables

The Group's trade and other payables increased by 53.8% from RMB200.1 million as at 31 December 2018 to RMB307.7 million as at 31 December 2019. The Group's trade payables turnover days decreased from 131.0 days as at 31 December 2018 to 109.2 days as at 31 December 2019, primarily due to an increase in the proportion of products purchased with a shorter payment term during the Reporting Period.

Capital Expenditure

The following table sets out our capital expenditure for the periods indicated:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Purchases of property, plant and equipment	**8,886**	385
Purchases of intangible assets	**–**	475
Total	**8,886**	860

Indebtedness

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities as of the dates indicated, based on undiscounted contractual payments:

	Less than 1 year	**Over 1 year**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
As of 31 December 2019			
Bank borrowings	**48,843**	**–**	**48,843**
Trade payables	**263,402**	**130**	**263,532**
As of 31 December 2018			
Bank borrowings	96,500	–	96,500
Trade payables	143,129	130	143,259

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2019.

Market Risks

The Group is exposed to various types of market risks, including interest rate fluctuation risk, foreign exchange risk and credit risk in the normal course of business. The sales of the Group are denominated in RMB and the purchases, expenses and foreign investments of the Group are denominated in RMB, HKD, AUD, Euros and USD. At present, the Group has no foreign exchange hedging policy. Notwithstanding the above, the management continuously monitors the Group's foreign exchange risk and will consider hedging significant foreign exchange exposure should the needs arise.

Dividend

For the year ended 31 December 2019, the Group has not recommended any interim dividend. The Board has proposed a final dividend of RMB0.032 per ordinary share of the Company, amounting to RMB40,325,344 for the year ended 31 December 2019 (2018: Nil). The final dividend will be paid on or around 10 July 2020.

On 3 February 2020, the Group has declared a special dividend of HK$0.096 per ordinary share of the Company, amounting to HK$120,976,032 at the date of declaration (2018: Nil). Please refer to the announcement of the Company of even date for details.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2019, the Group had a total of 239 employees. For the year ended 31 December 2019, the staff costs of the Group was RMB59.3 million as compared to RMB55.5 million for the year ended 31 December 2018.

The Group's employee remuneration policy is determined by taking into account factors such as remuneration in 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. 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 for the Reporting Period.

In addition, the Company adopted a share award scheme (the "**Share Award Scheme**") to recognize the contribution by certain employees including the Directors and senior management of the Group, and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") will be held on Monday, 8 June 2020. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Rules (the "**Listing Rules**") Governing the Listing of Securities 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 29 May 2020 to 8 June 2020, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on 8 June 2020. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, 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 28 May 2020 for registration.

The register of members of the Company will also be closed on 15 June 2020, in order to determine the entitlement of the Shareholders to the final dividend (if approved by the Shareholders at the AGM). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, 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 12 June 2020 for registration.

CORPORATE GOVERNANCE PRACTICES

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 (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company has complied with the code provisions as set out in the CG Code for the year ended 31 December 2019 except for the following code provision:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As disclosed in the announcements of the Company dated 1 January 2019 and 22 January 2019, due to the resignation of the chief executive officer of the Company, the chairman of the Board had on a temporary basis performed the functions of the chief executive officer during the transitory period from 1 January 2019 to 21 January 2019. On 22 January 2019, the new chief executive officer of the Company was appointed and the separation of the roles of chairman of the Board and chief executive of the Company has been restored and code provision A.2.1 of the CG Code has been re-complied with.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors, and each of the Directors has confirmed that he has complied with the required standard set out in the Model Code and the code of conduct for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had bought back the following shares on the Stock Exchange during the year ended 31 December 2019 with details as set out below:

Month of Purchase	Number of Shares Purchased	Price per Share		Total Paid
		Highest Price Paid	Lowest Price Paid	
		HK$	*HK$*	*HK$*
January 2019	4,000,000	0.98	0.95	3,917,330
February 2019	–	–	–	–
March 2019	6,048,000	1.00	0.93	6,017,590
April 2019	3,601,000	1.02	0.98	3,668,380
May 2019	9,689,000	0.85	0.63	7,705,130
June 2019	429,000	0.68	0.68	291,720
July 2019	–	–	–	–
August 2019	–	–	–	–
September 2019	543,000	0.75	0.60	363,990
October 2019	–	–	–	–
November 2019	–	–	–	–
December 2019	–	–	–	–
Total	24,310,000	–	–	21,964,140

All of the shares bought back were subsequently cancelled. The Board considers that the value of the shares of the Company in the capital market was undervalued. The market value of the shares was far below their intrinsic value, taking into account the Group's sufficient and strong financial resources. The Board believes that the Company's healthy financial position allows the Company to conduct the above buy-backs while maintaining sufficient financial resources for the continuous growth of the Group's operations. The Board also believes the share buy-backs and subsequent cancellation of the repurchased shares can improve the return to Shareholders. Save as disclosed above and the purchases of the shares by the trustee pursuant to the Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**") to recognise the contribution by certain employees, including the Directors and senior management of the Group, and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme has a term of ten years commencing from 10 April 2015, the date on which the Share Award Scheme was adopted by the Board. The Share Award Scheme is administrated by the Board and the trustee of the Share Award Scheme. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 April 2015.

On 9 October 2015, the Board had resolved to grant a total of 25,060,000 awarded shares to 150 selected employees with the award price of HK$5.076 per awarded share. For details of the grant of such awarded shares, please refer to the announcement of the Company dated 9 October 2015. No awarded share had been granted by the Company and no granted awarded share had been vested under the Share Award Scheme during the year ended 31 December 2019.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises of two independent non-executive Directors, namely Mr. Wong Chi Hung, Stanley (Chairman) and Mr. Zhang Hong, and one non-executive Director, namely Mr. Wu Mijia. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting, risk management and internal control systems, and 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 year ended 31 December 2019 of the Group has been reviewed by the Audit Committee.

The financial information contained in this announcement is based on the audited consolidated financial statements of the Group, for the year ended 31 December 2019.

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2019. The Company will submit a resolution in the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.pioneer-pharma.com/), and the 2019 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Pioneer Pharma Holdings Limited
Li Xinzhou
Chairman

Hong Kong, 23 April 2020

As at the date of this announcement, the Directors are Mr. Li Xinzhou, Mr. Luo Chunyi and Mr. Luk Chi Shing as executive Directors, Mr. Wu Mijia and Mr. Hui Lap Keung as non-executive Directors and Mr. Zhang Hong, Mr. Xiao Guoguang and Mr. Wong Chi Hung, Stanley as independent non-executive Directors.