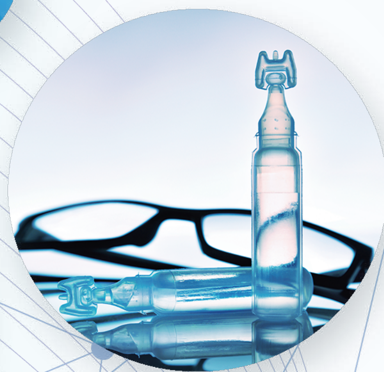
上海昊海生物科技股份有限公司
Shanghai Haohai Biological Technology Co.,Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 6826



2020
Annual Report

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CORPORATE INFORMATION

FOURTH SESSION OF THE BOARD OF DIRECTORS

Executive Directors:
Dr. Hou Yongtai *(Chairman)*
Mr. Wu Jianying *(General Manager)*
Ms. Chen Yiyi
Mr. Tang Minjie *(Chief Financial Officer)*

Non-executive Directors:
Ms. You Jie
Mr. Huang Ming

Independent Non-executive Directors:
Ms. Li Yingqi
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Yang Yushe
Mr. Zhao Lei

FOURTH SESSION OF THE SUPERVISORY COMMITTEE

Mr. Liu Yuanzhong *(Chairman)*
Ms. Yang Qing
Mr. Tang Yuejun
Mr. Wei Changzheng
Mr. Yang Linfeng

AUTHORIZED REPRESENTATIVES

Mr. Huang Ming
Mr. Chiu Ming King

JOINT COMPANY SECRETARIES

Ms. Tian Min
Mr. Chiu Ming King *(a fellow member of the Hong Kong Institute of Chartered Secretaries)*

AUDIT COMMITTEE

Ms. Li Yingqi *(Chairlady)*
Ms. You Jie
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Zhao Lei

REMUNERATION AND REVIEW COMMITTEE

Mr. Su Zhi *(Chairman)*
Mr. Wu Jianying
Mr. Huang Ming
Ms. Li Yingqi
Mr. Zhao Lei

NOMINATION COMMITTEE

Mr. Zhao Lei *(Chairman)*
Dr. Hou Yongtai
Ms. You Jie
Ms. Li Yingqi
Mr. Su Zhi

STRATEGY COMMITTEE

Ms. You Jie *(Chairlady)*
Dr. Hou Yongtai
Mr. Wu Jianying
Mr. Huang Ming
Mr. Yang Yushe

LEGAL ADVISERS

Tiang & Partners
Room 2010
20/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Hongqiao Road, Changning District
Shanghai, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

A SHARE REGISTRATION INSTITUTION

China Securities Depository and Clearing Corporation Limited Shanghai Branch
166 Lujiazui East Road
New Pudong District
Shanghai, China

INFORMATION ON H SHARES

Place of listing:	The Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	6826
Number of H shares issued:	38,822,100 H shares
Nominal value:	RMB1.00 per H share
Stock short name:	HAOHAI BIOTEC

INFORMATION ON A SHARES

Place of listing:	Sci-tech Innovation Board of the Shanghai Stock Exchange
Stock code:	688366
Number of A shares issued:	137,800,000 A shares
Nominal value:	RMB1.00 per A share
Stock short name:	HAOHAI BIOTEC

REGISTERED OFFICE

No. 5 Dongjing Road
Songjiang Industrial Zone
Shanghai, China

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Ltd. (Xinhua Road Sub-branch, Shanghai)
No. 506 Xinhua Road
Changning District
Shanghai, China

Bank of Shanghai, Co., Ltd (Changning Branch, Shanghai)
No. 320 Xianxia Road
Changning District
Shanghai, China

INVESTOR ENQUIRIES

Investors' Service Line: (86) 021-52293555
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FINANCIAL HIGHLIGHTS

	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	31 December 2016 RMB'000
Results of operation					
Revenue	1,324,427	1,595,498	1,545,824	1,344,856	851,157
Gross profit	990,423	1,231,499	1,211,538	1,057,389	709,606
Profit before tax	257,026	434,349	525,185	461,621	365,885
Net profit attributable to owners of the parent	230,072	370,779	414,540	372,415	305,052
Profitability					
Gross profit margin	74.8%	77.2%	78.4%	78.6%	83.4%
Net profit margin	17.1%	23.2%	26.8%	27.7%	35.8%
Earnings per share (RMB)					
Basic earnings per share (Note 1)	1.30	2.27	2.59	2.33	1.91
Assets					
Total assets	6,298,705	6,151,871	4,436,352	4,109,323	3,693,412
Total liabilities	564,460	498,518	600,905	724,059	707,552
Total equity attributable to ordinary equity holders of the parent	5,490,751	5,454,780	3,611,511	3,200,562	2,903,992
Gearing ratio	9.0%	8.1%	13.5%	17.6%	19.2%

Note 1: Diluted earnings per share is the same as basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the periods.

Dear Shareholders,

I am pleased to present to all Shareholders the 2020 annual report of Haohai Biological on behalf of the Board.

In 2020, the outbreak of the COVID-19 pandemic brought an unprecedented negative impact to the global economy, and the pharmaceutical industry was moving forward cautiously along with prevention and control of the Pandemic and the resumption of work and production. As the Group's products are mainly applied to surgeries and diagnosis and treatment services including ophthalmology outpatient and elective surgeries, medical aesthetics outpatient clinics, diagnosis and treatment services for intra-articular viscosupplement and non-emergency surgeries, which were all included in the scope of temporary suspension during the COVID-19 pandemic period. The business operation of the Group was significantly restricted, the impact on which was particularly significant in the first quarter of 2020. However, from the second quarter of 2020, thanks to the general containment of the COVID-19 pandemic in China by the Chinese government, the Group adopted proactive measures to resume production and operation and thereby, the decrease in revenue from all product lines narrowed. The Group's revenues in each quarter demonstrated a rising trend from the first quarter to the fourth quarter during the Reporting Period.

In 2020, the Group recorded revenue of approximately RMB1,324.43 million, representing a decrease of approximately RMB271.07 million, or approximately 16.99%, as compared to last year. The Group's net profit attributable to shareholders of the listed company and the net profit after deducting non-recurring profit or loss attributable to shareholders of the listed company were approximately RMB230.07 million and RMB206.43 million respectively, representing decreases of approximately 37.95% and 42.25% respectively, as compared to those in 2019.

Facing serious challenge to medical services and pharmaceutical companies posed by the COVID-19 pandemic, the Group continued to increase investment in R&D, focusing on expanding the R&D pipelines for innovative products of ophthalmology and medical aesthetics. The R&D expenses in the Reporting Period reached approximately RMB126.47 million, representing an increase of approximately RMB10.39 million, or approximately 8.95%, as compared to that in 2019. The Group's third-generation HA Dermal Filler product "Hyalumatrix" with linear particle free characteristics was registered with the NMPA in March 2020 and was launched in August 2020. The Group's product "linear cross-linked sodium hyaluronate gel", which is used to seal retinal cleft and treat rhegmatogenous retinal detachment, has started clinical trials in July 2020. The Group's self-developed casting molded hydrophobic aspheric IOL product has formally commenced clinical trials in September 2020, and has obtained the European Union CE certificate in January 2021. The Group's independently developed eye drop, moxifloxacin hydrochloride, was approved by the NMPA in March 2021, and became the first domestic equivalent product, which completed the application and registration for generic drugs. In addition, the Group's second-generation PRL entered the registration process in the Reporting Period.

CHAIRMAN'S STATEMENT

During the Reporting Period, the Group focused on investment and mergers and acquisitions opportunities in the global ophthalmic industry and further expanded its ophthalmic business to the field of myopia prevention and control and refractive correction. In addition, the Group also focused on the industrial layout in the field of medical aesthetics, aiming to integrate domestic industrial resources and introduce international advanced innovative technologies and products through various approaches such as R&D, investment, mergers and acquisitions, and cooperation. Up to now, the Group has been able to provide a variety of myopia solutions from prevention and control to correction for all age groups through the products layout. The Group's medical aesthetics products portfolio has formed a complete business matrix covering four major categories including dermal fillers, botulinum toxin, radio frequency devices and laser equipment.

In 2021, the Group will continue to focus on four fast-growing therapeutic areas, including the existing ophthalmology, medical aesthetics, orthopedics and anti-adhesion and hemostasis, and always aims to continuously improve the quality of life of Chinese people and promote the rehabilitation of patients, by taking differentiated development as its corporate strategy.

Finally, on behalf of the Board and the management of the Company, I would like to express my sincere gratitude to every shareholder and investor who has always been paying attention to us!

Hou Yongtai
Executive Director and Chairman of the Board

26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Discussion

In 2020, the outbreak of the COVID-19 pandemic (the "**Pandemic**") brought an unprecedented negative impact to the global economy, and the pharmaceutical industry was moving forward cautiously along with prevention and control of the Pandemic and the resumption of work and production. At the same time, the "three-linkage" reform in the medical system covering pharmaceutical industry, healthcare industry, and medical insurance industry was accelerating and deepening. In the short term, supply-side reform in pharmaceutical industry has put pressure on the performance of pharmaceutical manufacturers, and also brought severe challenges to the cost control, innovation and product line layout capabilities of enterprises. In the long run, however, the pharmaceutical industry will not undergo fundamental changes. The rigid market demands brought by the aging of the population and urbanization process in China is still driving the industry to grow steadily. With the rapid growth of diversified medical needs, the gradual improvement of the medical insurance payment system, and the continuous upgrade of the concept of national health consumption, leading pharmaceutical companies with innovative ability, brand value, solid product treatment efficacy, and good financial position are also facing important development opportunity.

As the Group's products are mainly applied to surgeries and diagnosis and treatment services including ophthalmology outpatient and elective surgeries, medical aesthetics outpatient clinics, diagnosis and treatment services for intra-articular viscosupplement and non-emergency surgeries, which were all included in the scope of temporary suspension during the Pandemic period, the business operation of the Group was significantly restricted and the revenue from all of its product lines declined when compared to the corresponding period of last year.

Overall, in the wake of improving Pandemic control and gradual resumption of social activities in China, revenue of the Group demonstrated a rapid rising trend after lingering at low levels throughout all quarters of the Reporting Period. Specifically, in the first quarter of 2020, the impact of the sudden Pandemic outbreak in China was particularly significant. From the second quarter of 2020, thanks to the general containment of the Pandemic in China by the Chinese government, the Group adopted proactive measures to resume production and operation and therefore, the decrease in revenue from all product lines narrowed as compared to the corresponding period of last year. In the second half of 2020, the revenue further showed a trend of obvious recovery and growth.

During the Reporting Period, the Group recorded revenue of approximately RMB1,324.43 million, representing a decrease of approximately RMB271.07 million, or approximately 16.99%, as compared to that in 2019. The breakdown of the Group's revenue of each product line by therapeutic areas and as a percentage of the total revenue from main business of the Group is as follows:

Product line	2020		2019		Change
	RMB'000	%	RMB'000	%	(%)
Ophthalmology products	562,660	42.48	709,768	44.49	-20.73
Orthopedics products	329,910	24.91	357,932	22.43	-7.83
Medical aesthetics and wound care products	240,705	18.17	299,140	18.75	-19.53
Anti-adhesion and hemostasis products	171,436	12.94	188,877	11.84	-9.23
Other products	19,716	1.50	39,781	2.49	-50.44
Total	1,324,427	100.00	1,595,498	100.00	-16.99

During the Reporting Period, the overall gross profit margin of the Group was approximately 74.78%, representing a slight decrease as compared to approximately 77.19% in 2019, mainly due to the smaller proportion of HA dermal filler products in the Group's total revenue, which have higher gross profit margin.

Despite the short-term decline in operating income due to the impact of the Pandemic, the Group continued to increase investment in research and development ("**R&D**"), focusing on expanding the R&D pipelines for innovative products of ophthalmology and medical aesthetics. The R&D expenses in the Reporting Period reached approximately RMB126.47 million, representing an increase of approximately RMB10.39 million, or approximately 8.95%, as compared to approximately RMB116.08 million in 2019. The proportion of R&D expenses in revenue increased from approximately 7.28% in 2019 to approximately 9.55%. During the Reporting Period, the Group's ophthalmic projects such as Orthokeratology Lenses, casting molded hydrophobic aspheric IOL, and retinal hole blocking biogels, as well as the fourth-generation organic cross-linked sodium hyaluronate gel product have entered the critical stage of clinical trials, therefore additional R&D costs have been incurred. The main R&D achievements of the Group are as follows:

In the field of cataract treatment, the Group's R&D projects on various types of IOL are progressing in an orderly manner. Among them, the Group's self-developed casting molded hydrophobic aspheric IOL product has formally commenced clinical trials since September 2020. The development of this product is based on the "13th Five-Year Plan" national key research and development project "Research and development of new-type IOL and high-end ophthalmic implant materials" led by the Group. The clinical trials of the product have started patient enrollment, and the clinical trial period is expected to be approximately two to three years. This casting molded hydrophobic aspheric IOL product adopts innovative production process, which manufactures IOL products from raw material to finished products by injection molding, thus obtaining more accurate optical performance and significant reduction of production costs. The product obtained the European Union CE certificate in January 2021, and can be sold in the member countries of the European Union and related overseas markets.

In the field of myopia prevention, the clinical trials of the Group's new orthokeratology products under development are now progressing in an orderly manner. In addition, the Group is in the process of upgrading the only domestically produced PRL for refractive correction, with the second generation of this product entered the registration process, which will maintain physical aqueous humor circulation and provide a wider range of vision correction.

In the field of ocular surface therapy, the Group's independently developed eye drop, moxifloxacin hydrochloride, was approved by the NMPA in March 2021, and became the first domestic equivalent product, who completed the application and registration for generic drugs. This product is a fourth-generation fluoroquinolone antibiotics, which offers advantages in the aspects of broad-spectrum antibacterial property, antibacterial efficiency, low-drug resistance and safety as compared with the widely used levofloxacin eye drops (third-generation fluoroquinolone antibiotics). It can effectively inhibit common bacteria in ocular surface infection, act rapidly with high safety, without containing preservatives. Therefore, it can be used for patients of all ages (including newborns).

In the field of fundus therapy, the Group's world-leading R&D projects such as linear cross-linked sodium hyaluronate gel and new artificial vitreous continue to advance steadily. Among them, the product "linear cross-linked sodium hyaluronate gel", which is used to seal retinal cleft and treat rhegmatogenous retinal detachment, has started clinical trials since July 2020.

In the field of medical aesthetics, the Group's third-generation HA Dermal Filler product "Hyalumatrix" ("海魅") with linear particle free characteristics was registered with the NMPA in March 2020 and was launched in August 2020. The Group's domestically-pioneered new generation of organic cross-linked sodium hyaluronate gel product has started clinical trials since November 2020. This product uses natural materials as cross-linking agents, and its degradation products are amino acids essential for humans. Compared with traditional chemical cross-linking agents, this product provides better long-term safety. In addition, this is the first product in China to block the site of action of hyaluronidase and has the feature of long-lasting effect.

During the Reporting Period, the Group's net profit attributable to shareholders of the listed company and the net profit after deducting non-recurring profit or loss attributable to shareholders of the listed company were approximately RMB230.07 million and RMB206.43 million respectively, representing decreases of approximately 37.95% and 42.25% respectively, as compared to those in 2019, which were mainly due to the fact that the operating revenue in the first half of the year 2020 was greatly affected by the Pandemic. By the second half of the year 2020, however, the Group's net profit attributable to shareholders of the listed company has resumed a year-on-year growth.

Ophthalmology Products

In the field of ophthalmology, the Group is the largest Ophthalmic Viscosurgical Device product manufacturer in the PRC and one of the internationally renowned manufacturers of IOL. According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. ("**Biaodian Medical**") under the NMPA Southern Medicine Economic Research Institute, the market share of the Group's OVD products was approximately 45.85% in 2019, with a market share of over 40% for the past 13 consecutive years. Based on sales volume, the Group's IOL products have captured about 30% of the IOL market in the PRC. In addition, Contamac Holdings, a subsidiary of the Group, is one of the world's largest independent manufacturers of ophthalmic materials providing ophthalmic materials such as materials for IOL and Orthokeratology Lenses to customers worldwide.

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB562.66 million, representing a decrease of approximately RMB147.11 million, or approximately 20.73%, as compared to that in 2019. The breakdown of revenue from ophthalmology products by specific products is as follows:

	2020		2019		Change
	RMB'000	%	RMB'000	%	(%)
IOL products	329,403	24.87	431,735	27.06	-23.70
Ophthalmic materials	132,039	9.97	151,690	9.51	-12.95
OVD products	84,235	6.36	112,631	7.06	-25.21
Other ophthalmology products	16,983	1.28	13,712	0.86	23.86
Total	562,660	42.48	709,768	44.49	-20.73

Cataract is the biggest cause of blindness in China. The only effective treatment for cataract is IOL implantation through surgery. In terms of industrial chain construction, the Group currently has initially completed the layout of the entire industrial chain of IOL products. We have opened up the raw material production link of the IOL industrial chain through Contamac Holdings; mastered the R&D and production process of IOL products through our subsidiaries Aaren Scientific Inc., Henan Universe, and Zhuhai Eyegood; meanwhile, strengthened the downstream sales channels of IOL products through the professional ophthalmology high-value consumables marketing platform of our subsidiary NIMO. In terms of specific products, leveraging on its domestic and foreign brands, the Group has covered a full range of products from ordinary spherical foldable IOL to multifocal foldable IOL. In addition, while leveraging on the support of the National Key R&D Programs under the "13th Five-Year Plan", the Group creates synergy among the ophthalmology R&D innovation platforms of the Group in the PRC, the United States and the United Kingdom to promote the R&D activities for high-end toric and multifocal IOL products. The Group has also extended the materials from hydrophilic IOL materials to hydrophobic IOL materials to achieve a comprehensive layout of IOL materials and optical features.

During the Reporting Period, in the procurements with target quantity of IOL high-value consumables organized by Beijing-Tianjin-Hebei province "3+N", Yunnan Province, cross-province alliance led by Shaanxi Province, Henan Province and other alliances, multiple types of the Group's ophthalmic IOL series products were selected, covering spherical IOLs, aspheric IOLs, preloaded aspheric IOLs, and segmented bifocal IOLs. At present, most provinces and alliances in China have initially completed the tendering process of their procurements with target quantity, and have entered a transitional stage of promoting the implementation of procurement results. Generally, the selected products need to wait for the issuance of relevant policy rules to complete the supplementary network connection, sign the purchase agreement with hospitals, confirm the delivery service providers and other specific tasks. Therefore, it will take a certain amount of time for the procurement results to be implemented. In addition, some dealers in the areas that have not yet started procurement with target quantity tend to maintain lower inventory levels, so their willingness to purchase products has declined. In summary, the short-term sales performance of the selected enterprises is under pressure during the transition period. However, in the long term, the rapid implementation of procurement results will bring more opportunities for companies with production cost control capability and product line layout capability. By leveraging its advantages in multi-brand full product lines, channels and costs, the Group will consolidate and further increase the market shares of its IOL products in the selected areas.

In addition, the Group continued to focus on investment and mergers and acquisitions opportunities in the global ophthalmic industry to accelerate the localization process of China's ophthalmic industry, and strived to become a comprehensive ophthalmology group. During the Reporting Period, the Group further expanded its ophthalmic business to the field of myopia prevention and control and refractive correction.

China is one of the countries with the largest number of blindness and visual impairment patients in the world, with cataracts accounting for approximately 32.5% and refractive errors accounting for 44.2% of visual impairment factors, while the prevalence of ophthalmic diseases in the highly myopic population is much higher than that in the normal-vision population. In 2019, the number of myopia patients worldwide was approximately 1.4 billion, among which, the number of myopia patients in China exceeded 600 million, and as a result the capacity of China's refractive correction market is considerable while the penetration rate is low.

In the field of myopia prevention and control, the Group used its self-developed optical design system based on Contamac Holdings' world-leading gas permeable material to develop new orthokeratology products. The clinical trials of such products were officially launched in January 2020 and are now progressing in an orderly manner. At the same time, the Group has also started to conduct R&D layout for the projects such as gas permeable scleroscope and soft corneal contact lenses with myopia correction capabilities. In March 2021, the Group entered into a strategic cooperation agreement, pursuant to which the Group acquired a total 55% of the equity interests of Hengtai Vision through the purchase of a portion of the equity held by the existing shareholders of of Hengtai Vision and the cash capital injection to Hengtai Vision, with a total investment of RMB25 million. At the same time, the Group entered into an Exclusive Distribution Agreement with Hengtai Optics Co., Ltd. ("**Hengtai Optics**") and Hengtai Vision, pursuant to which, Hengtai Optics will grant exclusive distribution rights of its high-end Orthokeratology Lens under the brand name of "**Maierkang myOK**"), which owns the highest oxygen permeability with DK 141 in China, to Hengtai Vision in the territory of mainland China for a period of 10 years, ending on 31 December 2030. And Hengtai Optics will also grant continuously exclusive distribution rights of its optical lenses for the management and control of myopia in children (under the brand name of "**Beishide**") to Hengtai Vision in the territory of mainland China.

In the field of refractive correction, in April 2020, the Group acquired 55% equity interest in Hangzhou Aijinglun. Hangzhou Aijinglun is mainly engaged in the research and development, production and sales of crystalline refractive lenses, and has independent intellectual property rights of its own developed "Yijing" Posterior Chamber-PRL product, which has a refractive correction range of -10.00D ~ -30.00D and has been approved by NMPA. Refractive lens surgery with crystalline lens can correct myopia without cutting normal corneal tissues and has the advantages of preserving the adjustment function of the human lens and surgical reversibility, so it is a safe and effective method to correct myopia. Currently, there are only two such products approved for sale in the Chinese market, and "Yijing" PRL product is the only domestic product and the only choice for patients with severe myopia above 1,800 degrees, therefore the product is highly scarce. In addition, the Group is in the process of upgrading its PRL products, with the second generation of the aqueous humor permeable product entered the registration testing stage, which will enable aqueous humor circulation and provide a wider range of vision correction.

Through the above products layout, the Group has been able to provide a variety of myopia solutions from prevention and control to correction for all age groups.

Medical Aesthetics and Wound Care Products

In the field of medical aesthetics and wound care, the Group is the second largest domestic manufacturer of rhEGF for external use and one of the well-known domestic manufacturers of HA Dermal Filler. The Group's rhEGF "Healin", developed and produced by genetic engineering technology, is the only epidermal growth factor product in China that has exactly the same quantity, sequence and spatial structure of amino acids as human natural EGF and the first registered rhEGF product in the world. According to the research reports of Biaodian Medical, the market share of "Healin" products continued to increase to 23.49% in 2019, further narrowing the gap with the top-selling brand in the market.

The Group has independently developed and mastered the cross-linking processes such as mono-phase cross-linking, low-temperature secondary cross-linking, linear non-particle cross-linking, and organic cross-linking. The Group's first-generation HA dermal filler "Matrifill" is the first mono-phase sodium hyaluronate gel for injection approved by the former State Food and Drug Administration in the PRC. It is mainly positioned as a popular entry-level hyaluronic acid. The Group's second-generation HA dermal filler "Janlane" is mainly positioned at the mid-to-high end, and mainly features the dynamic filling function. The third-generation HA dermal filler "Hyalumatrix" has the linear non-particle feature and is positioned for high-end consumers by providing the "precise embellishment" function. The fourth-generation organic cross-linked hyaluronic sodium hyaluronate gel product has entered the clinical trial stage. The Group's HA Dermal Filler product portfolio has been widely recognized in the market and has become a leading brand of domestic HA Dermal Filler products for injection.

During the Reporting Period, the Group's revenue of medical aesthetics and wound care products was approximately RMB240.71 million, representing a decrease of approximately RMB58.44 million, or approximately 19.53%, as compared to 2019. The breakdown of the revenue from medical aesthetics and wound care products by specific products is as follows:

	2020		2019		Change
	RMB'000	%	RMB'000	%	(%)
HA Dermal Filler	**145,410**	**10.98**	203,491	12.75	-28.54
rhEGF	**95,295**	**7.19**	95,649	5.99	-0.37
Total	**240,705**	**18.17**	299,140	18.75	-19.53

In recent years, the demand for aesthetics have been growing increasingly, and the speed of upgrade of medical aesthetic products and related technology have been accelerating as well. These new products and technology can satisfy existing consumer demands as well as attracting more potential consumers through increasingly comprehensive product supply, improving clinical efficacy and change of consumption concept. At present, China has become the third largest medical aesthetic market in the world. However, compared with other major medical aesthetic markets of other countries, China's penetration rate of medical aesthetic projects is still at a low level, and potential for growth in the market is still significant. In the niche market of HA Dermal Filler products, the HA Dermal Filler for injection has become one of the most popular medical aesthetic products among medical beauty institutions and beauty seekers with relatively higher repurchase rate over time for its safety, effectiveness, high price-performance ratio and other features.

During the Reporting Period, under the influences of the Pandemic and the tightening of supervision on medical aesthetics terminal industry, the businesses of the domestic medical aesthetics institutions and their demands for hyaluronic acid products were significantly affected. Therefore, the Group's hyaluronic acid products have suffered a decrease in revenue compared to that in 2019 due to a decrease in sales volume. However, relying on the brand foundation widely recognized by the series of HA dermal filler products, the Group actively adjusted its sales strategy and maintained a relatively stable and good overall price system with a series of effective professional market service measures. In the second half of the Reporting Period, the Group launched its third-generation HA dermal filler product "Hyalumatrix" with better injection effects to the market.

Leveraging on its highly competitive R&D efforts in biomedical materials, manufacturing and marketing platforms and comprehensive strengths in the technology and quality control of sodium hyaluronate products, the Group's self-developed serially HA dermal filler products, based on their characteristics and efficacy, have established the differentiated positioning and supplementary development, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC. With the integrated mode of direct sales to medical institutions and marketing through distributors, the Group achieved penetration into core regions and model hospitals as well as rapid expansion of sales channels and extensive coverage in target markets. Meanwhile, the marketing team of the Group strived to enhance the consumer experience through multi-dimensional services for medical institutions, practitioners and consumers, and build brand attributes and dominate the lifestyle of consumer groups so as to improve the adhesiveness of HA dermal filler.

In addition, the Group always focuses on the industrial layout in the field of medical aesthetics, aiming to integrate domestic industrial resources and introduce international advanced innovative technologies and products through various approaches such as R&D, investment, mergers and acquisitions, and cooperation. As of the date of this report, the Group has completed the following layout of the medical aesthetics products line:

In February 2021, the Company signed an equity transfer and capital increase agreement, pursuant to which, the Company acquired 63.64% of the equity of OHMK with a total investment of RMB205 million. After that, the radio frequency and laser medical devices and household instruments, as well as innovative hyaluronic acid products, chitosan extract injection products and other tissue fillers of OHMK were included in medical aesthetics products portfolio of the Group.

In March 2021, the Company signed a series of agreements, pursuant to which, the Company shall use a maximum amount of US$31 million to subscribe for series A preferred shares of Eirion Therapeutics, Inc. ("**Eirion**") based on a pre-investment valuation of US$190 million in accordance with the agreed milestones completed by Eirion. In return, Eirion shall authorize the Company to conduct exclusive R&D, sales and commercialization of its innovative topical smear type-A botulinum toxin product ET-01, classic injection type-A botulinum toxin product AI-09, and small molecule drug product ET-02 for the treatment of alopecia and gray hair in mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan Region. Through this transaction, the Group will successfully enter the fields of botulinum toxin and small molecule drugs.

Up to now, the Group's medical aesthetics products portfolio has formed a complete business matrix covering four major categories including dermal fillers, botulinum toxin, radio frequency devices and laser equipment, which can penetrate into three major application scenarios for medical aesthetics institutions, life aesthetics and home aesthetics, and fully satisfy the demands of end consumers.

Orthopedics Products

During the Reporting Period, the orthopedics products of the Group recorded revenue was approximately RMB329.91 million, representing a decrease of approximately RMB28.02 million, or approximately 7.83%, as compared to that in 2019. The breakdown of the revenue generated from the sales of orthopedics products by specific products is as follows:

	2020		2019		Change
	RMB'000	%	RMB'000	%	(%)
Sodium hyaluronate injection	230,454	17.40	250,766	15.72	-8.10
Medical chitosan used for intra-articular viscosupplement	99,456	7.51	107,166	6.72	-7.19
Total	329,910	24.91	357,932	22.43	-7.83

In the field of orthopedics, the Group is the largest domestic manufacturer of orthopedic intra-articular viscoelastic supplements. Orthopedic intra-articular viscoelastic supplements are mainly used in degenerative osteoarthritis. Degenerative osteoarthritis is also a common disease in the senior population. According to statistics, the incidence of osteoarthritis in men over the age of 65 is 58%, and that in women is 65% to 67%; the incidence of people over the age of 75 is as high as 80%. As present, there are more than 100 million osteoarthritis patients in China. The Group is the only enterprise having sodium hyaluronate injection products with full series of specifications of 2mL, 2.5mL and 3mL in the PRC market. Meanwhile, medical chitosan intra-articular viscosupplement is an exclusive product of the Group, which is the only intra-articular viscosupplement registered as a Class III medical device in the PRC.

Benefiting from the complete specifications and attractive price system of the Group's product portfolio of orthopedic intra-articular viscoelastic supplements, we have continuously increased market shares in recent years and have obvious competitive advantages. According to the research reports of Biaodian Medical, the Group has been the largest manufacturer of orthopedic intra-articular viscoelastic supplements in the PRC for six consecutive years, with a market share of 42.09% in 2019.

Anti-adhesion and Hemostasis Products

During the Reporting Period, the Group's anti-adhesion and hemostasis products achieved revenue of approximately RMB171.44 million, decreased by approximately RMB17.44 million compared to 2019, representing a decrease of approximately 9.23%. The breakdown of revenue from the sales of anti-adhesion and hemostasis products by specific products is as follows:

	2020		2019		Change
	RMB'000	%	RMB'000	%	(%)
Medical chitosan used for anti-adhesion	**91,182**	**6.88**	93,473	5.86	-2.45
Medical sodium hyaluronate gel	**61,264**	**4.63**	73,669	4.62	-16.84
Collagen sponge	**18,990**	**1.43**	21,735	1.36	-12.63
Total	**171,436**	**12.94**	188,877	11.84	-9.23

The Group is the largest domestic manufacturer of surgical anti-adhesive materials and one of the major manufacturers of medical collagen sponges. Tissue adhesion is the main cause of postoperative complications. The use of polymer biomaterials as spacers to prevent surgical adhesion has gradually become a consensus to improve the safety of surgery. Currently, medical chitosan and medical sodium hyaluronate gel anti-adhesion products independently developed by the Group have been recognized and used in clinical practice. According to the research reports of Biaodian Medical, the Group has been the largest anti-adhesion product manufacturer in the PRC for thirteen consecutive years, with a market share of 29.64% in 2019.

At the same time, the Group is also committed to the R&D, production and sales of various degradable and rapid hemostatic materials such as medical collagen sponges and fibrin sealants. The degradable and rapid hemostatic materials have also been listed as key industry development field in the "Guide to the Development Planning of the Pharmaceutical Industry (《醫藥工業發展規劃指南》)". Medical collagen has good hemostatic and tissue filling effect, and thus becomes a unique biomedical material used in surgical operations for gynecology and obstetrics, otolaryngology, brain surgery and general surgery. The medical collagen sponge "奇特邦" product of the Group is a refined type I collagen extracted from bovine tendon through the advanced freeze-drying technology. It can accelerate hemostasis and promote wound healing. In the meantime, "奇特邦" in various specifications can be used for hemostasis, and various tissues and organs cavity filling to eliminate the residual cavity, thereby shortening the operation time and accelerating wound and tissue healing process after surgeries.

Affected by the Pandemic and the cost & quantity control policy for high-value consumables, the sales revenue of the Group's anti-adhesion and hemostasis products has declined during the Reporting Period, but beginning from the second half of the year of 2020, it has shown a trend of steady recovery.

DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

Industry Structure and Prospects

At present, the domestic pharmaceutical and medical device industry is undergoing a series of major changes: reform of medical insurance payment methods, centralized tendering and largescale procurement will continue to deepen from the top down foreseeably. Although the above-mentioned policy factors have brought severe challenges to the operating performance of pharmaceutical and medical device companies, they will also undoubtedly benefit the overall healthy and sustainable development of the industry.

The rigid market demands brought by the aging of the population and urbanization process in China is still driving the industry to grow steadily. As far as the four areas of the Group are concerned, the IOL industry has been listed as a key industry development area by the "13th Five-Year Plan" for Biological Industry Development (《"十三五"生物產業發展規劃》) and the Guidelines for the Development Planning of the Pharmaceutical Industry (《醫藥工業發展規劃指南》), orthopedics and medical aesthetics products are also on the high ceiling quality track. With the rapid growth of diversified medical needs, the gradual improvement of the medical insurance payment system, and the continuous upgrade of the concept of national health consumption, leading pharmaceutical companies with solid product treatment efficacy, good financial position, brand value, and innovative ability are also facing important development opportunity.

Company Development Strategy

The Group always aims to continuously improve the quality of life of Chinese people and promote the rehabilitation of patients, and takes differentiated development as its corporate strategy. The Group will continue to focus on four fast-growing therapeutic areas, including the existing ophthalmology, medical aesthetics, orthopedics and anti-adhesion and hemostasis. In the field of ophthalmology, the Group will continuously enrich the layout of large ophthalmic product lines from ocular surface to fundus, and is committed to providing visual health solutions for all age groups. In the field of medical aesthetics, the Group will fully satisfy the multi-level demands of end consumers, through products portfolio of leading innovative biomaterials, pharmaceutical, instruments and equipment, which can penetrate into three major application scenarios for medical aesthetics institutions, life aesthetics and home aesthetics.

The Group always pay attention to scientific research innovation and achievement transformation, continue to maintain its leading position in technology through independent R&D, cooperation with domestic and foreign well-known R&D institutions and technology introduction; realize the strategic goal of perfecting product lines and integrating the industrial chain through the combination of organic growth and mergers and acquisitions; improve operational efficiency through continuous optimization and improvement of management capabilities; and strengthen the Company's brand building and professional service to enhance brand value, making the Group a leading domestic and internationally renowned biomedical company in the field of biomedical materials.

Business Plan

In 2021, the Group will continue to leverage on the outstanding track record, resource advantages and rich experience of the management team in integrating strategic assets, further strengthen the integration of merged and acquired enterprises in various functions such as R&D, production, sales and service, enable merged and acquired enterprises to quickly integrate into the Group's management system with a view to maximizing synergy, improving operational efficiency, developing innovative technologies, and expanding market space, and continue to enhance core competitiveness.

In respect of R&D, the Group will create synergy among the superior R&D resources in China, the United States, the United Kingdom, and Israel, increase investment in R&D of innovative products, continue to promote the optimization and upgrade of product portfolios, expand the clinical application of products, and ensure technological leadership in the four major therapeutic areas of ophthalmology, medical aesthetics, orthopedics, and general surgery.

In respect of marketing, the Group will adopt a series of market measures to deepen the market penetration of advantageous products and expand the coverage of key hospitals and regions with new products through sophisticated multi-dimensional marketing methods. Under the new situation of pharmaceutical marketing, the Group will pay more attention to compliance management and provide more in-depth professional services.

While continuing to promote the growth of endogenous businesses, the Group will, based on the layout of the entire industrial chain of the existing IOL, effectively use its own funds, constantly deploy the areas of refractive correction and myopia prevention and control, and continue to pay attention to more industrial opportunities in glaucoma, fundus disease, dry eye and other ophthalmic treatment areas. In addition, the Group will also explore the rapidly developing therapeutic fields such as medical aesthetics, orthopedics and surgery, and actively seek suitable target companies, new technologies and new products, and take the opportunity to adopt acquisition or cooperation to obtain new extensional growth.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded an aggregate revenue of approximately RMB1,324.43 million (2019: approximately RMB1,595.50 million), representing a decrease of approximately RMB217.07 million, or approximately 16.99%, as compared to that in 2019. During the Reporting Period, affected by the Pandemic, the medical and surgical services were temporarily suspended in China as a measure for epidemic prevention and control, resulting the sharp reduction in the use of the Group's products, which are mainly used for ophthalmology outpatient and elective surgeries, medical aesthetics outpatient clinics, intra-articular viscosupplementation, non-emergency surgeries, etc., and the significant restriction in the Group's revenue. As a result, the revenues from each product line decreased as compared to the corresponding period of last year. Among them, the revenue of the Group in the first quarter of 2020 was particularly affected by the sudden outbreak of the Pandemic. From the second quarter of 2020, China basically stopped the spread and transmission of the Pandemic, and the Group also took active measures to resume production and operation, and as a result the operating revenue from each product line had a narrowed falling gap as compared to the corresponding period of last year, and the second half of the year of 2020 showed further significant recovery and growth.

During the Reporting Period, the overall gross profit margin of the Group was approximately 74.78%, representing a decrease as compared to 77.19% in 2019, mainly due to the reduction of percentage of the operating revenue from HA Dermal Filler Products with high gross profit margin.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were approximately RMB555.73 million, representing an increase of approximately RMB11.60 million or approximately 2.13% from approximately RMB544.13 million in 2019. Although offline marketing activities almost stagnated in the first quarter of 2020 owing to the impact of the Pandemic, the Group constantly invested in market and marketing activities and strengthened its online promotion efforts from the second quarter of 2020 when the epidemic was basically kept under control so as to maintain its market share, strengthen and deepen the market's recognition of the Group's products, especially new products. Hence, the selling and distribution expenses had a slight increase, as compared to that in 2019.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were approximately RMB216.76 million, representing a decrease of approximately RMB52.23 million or approximately 19.42% from approximately RMB268.99 million in 2019, and the proportion of administrative expenses to the Group's total revenue was 16.37%, aligned with the 16.86% in 2019. During the Reporting Period, the total administrative expenses of the Group declined, primarily due to the impact of the Pandemic, leading to a reduction in various administrative activities as well as the reduction of bonuses.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group were approximately RMB126.47 million, representing an increase of approximately RMB10.39 million or approximately 8.95% from approximately RMB116.08 million in 2019. The growth of R&D expenses was primarily due to the continuous increase of R&D investments of the ophthalmic and medical aesthetic products made by the Group as well as a few ophthalmic and medical aesthetic projects that have entered the critical clinical trial stage, leading to more R&D investments.

Other Income and Gains

During the Reporting Period, the Group's other income and gains were approximately RMB180.74 million, representing an increase of approximately RMB51.24 million, or approximately 39.57% from approximately RMB129.50 million in 2019. During the Reporting Period, the increase in other income and gains was primarily due to (1) the interest gained from the unused proceeds raised from listing on the Sci-Tech Innovation Board of SSE during the Reporting Period that significantly increased by approximately RMB41.89 million as compared to that in 2019; (2) during the Reporting Period, the Group received approximately RMB36.11 million of dividend income from equity investments designated at fair value through other comprehensive income, representing an increase of approximately RMB26.35 million as compared to that in 2019; (3) during the Reporting Period, the amount of government grants received by the Group and recorded in other gains were approximately RMB33.88 million, representing a decrease of approximately RMB12.45 million as compared to that in 2019, mainly due to the reduction of government grants relating to the high-tech achievement conversion projects, offsetting the effect of the foresaid two items of increase.

Other Expenses

During the Reporting Period, the other expenses of the Group were approximately RMB11.51 million, representing a decrease of approximately RMB10.25 million or approximately 47.10% as compared to approximately RMB21.76 million in 2019. During the Reporting Period, the decrease of other expenses was mainly due to the difference in composition. The Group's other expenses in 2019 included one-off investment loss of approximately RMB9.53 million arising from the disposal of 50% equity interest of the joint venture Contateq B.V., and the recognized one-off investment loss of approximately RMB9.98 million arising from the acquisition of 100% equity interest of ODC. The Group's other expenses in 2020 mainly included the inventory reserves and foreign exchange losses arising from ordinary operations.

Share of Profits of a Joint Venture

During the Reporting Period, the Group shared zero profit of the joint venture while it shared a profit of the joint venture of approximately RMB27.55 million in 2019. As the investment project held by the Group's joint venture Changxing Tongrui was completed in 2019 so that the Group received the investment proceeds while no similar investment proceeds was received from Changxing Tongrui during the Reporting Period.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB30.69 million (2019: approximately RMB57.97 million), which was primarily due to the decrease in operating profit of the Group during the Reporting Period.

Results of the Year

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB230.07 million (2019: RMB370.78 million), representing a decrease of approximately RMB140.71 million or approximately 37.95% as compared to that in 2019, which was mainly attributable to the following factors: (1) during the Reporting Period, affected by the Pandemic, the Group's total revenue decreased by approximately RMB217.07 million and the overall profit margin declined slightly, resulting in the decrease of gross profit by approximately RMB241.07 million; (2) during the Reporting Period, due to the increase in interest income and dividend income, the Group's other income and gains increased by approximately RMB51.24 million as compared to that in 2019; (3) as mentioned above, during the Reporting Period, the total amount of selling and distribution expenses, administrative expenses and R&D expenses of the Group decreased by approximately RMB30.24 million as compared to that in 2019; (4) during the Reporting Period, the income tax expense decreased by approximately RMB27.28 million as compared to that in 2019; and (5) during the Reporting Period, due to the temporary losses incurred by some non-wholly-owned subsidiaries, the loss attributable to non-controlling interests of the subsidiaries was approximately RMB3.73 million, while the profit attributable to non-controlling interests of the subsidiaries was approximately RMB5.60 million in 2019. Hence, the impact of profit and loss attributable to non-controlling interests was approximately RMB9.33 million.

During the Reporting Period, the basic earnings per share were RMB1.30 (2019: RMB2.27).

Liquidity and Capital Resources

As of 31 December 2020, the total current assets of the Group were approximately RMB3,809.96 million, representing a decrease of approximately RMB135.42 million or approximately 3.43% as compared to that as of the 31 December 2019, which was mainly due to the slight decrease of the ending amount of the cash and bank balances as at the end of 2020 arising from the continuous investment made by the Group in engineering projects and equity investment expenditure.

As of 31 December 2020, the total current liabilities of the Group were approximately RMB433.76 million, representing an increase of approximately RMB73.79 million as compared to that as of 31 December 2019, which was mainly due to the increase in short-term bank borrowings of the Group to replenish working capital during the Reporting Period, and the increase in other payables related to the purchase of engineering equipment and market activities, following the steady progress of various infrastructure projects and market activities.

As of 31 December 2020, as the total current liabilities of the Group increased, the Group's current assets to liabilities ratio was approximately 8.78 (31 December 2019: 10.96), representing a slight decrease as compared to that as at the end of 2019, but it was still at a relatively high and stable level.

Employees and Remuneration Policy

The Group had 1,374 employees as at 31 December 2020. The breakdown of the total number of employees by function was as follows:

Production	557
R&D	270
Sales and Marketing	341
Finance	45
Administration	161
Total	1,374

The Group's remuneration policy for its employees is based on their working experience, daily performance, the sales of the Company and external market competition. The Group provides various thematic training programs for its employees regularly, such as training in relation to the knowledge of the product and sales of the Group, the applicable laws and regulations for operations, the requirements of GMP certificate, quality control, workplace safety and corporate culture. During the Reporting Period, the remuneration policy and training programs had no material change and the total remuneration of the Group's employees amounted to approximately RMB294.52 million, representing a decrease of approximately RMB31.17 million from the approximately RMB325.69 million in 2019, which was mainly due to the cost reduction and bonus reduction as affected by the Pandemic, and the slight decrease in the employees' social insurance cost of the Group benefiting from the preferential or exemption policies introduced by the mainland China during the Pandemic. The management of the Company will continue to combine the human resources management and enterprise strategies to recruit professionals according to the changes of the internal and external conditions so as to realize the Group's strategic goal through its strong and reasonable human resources structure.

Treasury Policies

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the secured and efficient use of the Group's capital. Surplus cash of the Group is generally placed in short-term deposits denominated in RMB, US dollars and HKD. It is the Group's policy to enter into principal guaranteed and conservative deposits transactions only and the Group is restricted from investing in high-risk financial products.

Asset Pledge

As at 31 December 2020, the Company's bank borrowings amounted to approximately RMB50.00 million being secured by the pledge of bank deposits of approximately RMB50.00 million from Shanghai Qisheng, a subsidiary of the Group. In addition, the bank borrowings of the subsidiary ODC amounted to approximately RMB148,000 were secured by the mortgage of a conveyance of ODC with a carrying amount of approximately RMB201,000.

As at 31 December 2019, the bank borrowings of approximately GBP1.00 million (equivalent to approximately RMB9.14 million) of Contamac Holdings, a subsidiary of the Company, were secured by the pledge of certain of its property, plant and equipment with the carrying amount of approximately GBP1.44 million (equivalent to approximately RMB13.28 million). The abovementioned bank borrowings have been fully settled during the Reporting Period.

Gearing Ratio

As at 31 December 2020, the total liabilities of the Group amounted to approximately RMB564.46 million and the gearing ratio (the percentage of total liabilities to total assets) was 8.96%, which remained stable as compared to 8.10% as at 31 December 2019.

Cash and Cash Equivalents

As at 31 December 2020, the Group's total cash and cash equivalents were approximately RMB1,327.89 million, representing an increase of approximately RMB383.38 million from approximately RMB944.51 million as at 31 December 2019. This increase was primarily resulted from the net cash flow from investment activities and operating activities that were approximately RMB316.92 million and RMB262.07 million respectively, part of which was offset by the net cash flow of approximately RMB190.06 million used for financing activities.

Bank Borrowings

As at 31 December 2020, the Company and NIMO, a subsidiary of the Company, had interest-bearing bank borrowings of approximately RMB50.00 million and RMB28.69 million respectively. As at 31 December 2019, NIMO and Contamac Holdings, both subsidiaries of the Company, had interest-bearing bank borrowings of approximately RMB5.30 million and GBP1.00 million (equivalent to approximately RMB9.14 million) respectively.

Foreign Exchange Risk

The sales, costs and expenses of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group in the future. During the Reporting Period and as at 31 December 2020, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Significant Subsequent Event

Please refer to note 43 to the financial statements in this report for the details of significant subsequent event.

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this report, the Group has no any other material investment plans or capital asset plans during the year ended 31 December 2020.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this report, the Group did not have any material acquisitions and disposals related to subsidiaries, associates and joint ventures during the year ended 31 December 2020.

Significant Investment

Save as disclosed in this report, the Group has no other significant investment during the year ended 31 December 2020.

Purchase, Sales or Redemption of Listed Securities

At the 2020 first extraordinary general meeting, the 2020 first A shareholders' class meeting and the 2020 first H shareholders' class meeting of the Company held on 14 February 2020, a proposal was approved to grant the Board a general mandate to repurchase the Company's H Shares. Pursuant to such authorization, the Company repurchased a total of 638,700 H Shares on the HKSE during the period from 27 March 2020 to 8 May 2020, using a total amount of approximately HK$24,721,000. On 3 July 2020, the 638,700 H Shares repurchased by the Company were cancelled; after the cancellation, the total number of Shares of the Company was 177,206,600 Shares.

At the 2019 annual general meeting, the 2020 second A shareholders' class meeting and the 2020 second H shareholders' class meeting of the Company held on 29 June 2020, a proposal was approved to grant the Board a general mandate to repurchase the Company's H Shares. Pursuant to such authorization, the Company repurchased a total of 584,500 H Shares on the HKSE during the period from 21 July 2020 to 3 September 2020, using a total amount of approximately HK$31,236,345. On 19 March 2021, the 584,500 H Shares repurchased by the Company were cancelled; after the cancellation, the total number of Shares of the Company was 176,622,100 Shares.

Save as disclosed in this report, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

REPORT OF THE DIRECTORS

The Board presents their report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL BUSINESS

We focus on the research and development, manufacturing and sales of biomedical materials. We strategically target the fast-growing therapeutic areas in the biomedical material market in China, including ophthalmology, medical aesthetics and wound care, orthopedics, anti-adhesion and homostasis.

BUSINESS REVIEW

A fair review of the Group's business during the Reporting Period is provided in the Chairman's Statement on page 5 and the Management Discussion and Analysis on pages 7 to 23 of this annual report. Description of the risks and uncertainties that the Group may face can be found in the Internal Control, Audit and Risk Management of the Corporate Governance Report on pages 59 to 61 in this annual report. The objectives and policies on financial risk management of the Group are also set out in the note 42 to the financial statements. The events since the end of the Reporting Period and as at the date of this report can be found in Management Discussion and Analysis on page 22 and the note 43 to the financial statements in this annual report. Financial Highlights of the Group are set out on page 4 in this annual report, in which the Group's performance during the Reporting Period is analyzed with financial key performance indicators. In addition, an account of the Group's environmental policies, the Company's relationships with its stakeholders and compliance with relevant laws and regulations that exerts material impact on the Group are included in the Corporate Social Responsibility Report on page 67 in this annual report. The probable future business development of the Company is discussed in Management Discussion and Analysis on page 16 of this annual report. All such cross-referenced parts of this annual report form part of this "Report of the Directors".

RESULTS

The Group's results for the Reporting Period and the financial position of the Group as at 31 December 2020 are set out in the audited consolidated financial statements on pages 84 to 92 of this annual report.

A discussion and analysis of the Company's performance during the year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis on pages 7 to 23 of this annual report.

DIVIDENDS

On 26 March 2021, the Directors proposed to declare the final dividend of RMB0.50 (inclusive of tax) per ordinary share, amounting to RMB88,311,050 for the year ended 31 December 2020.

I. Holders of A Shares

In accordance with the Notice of Ministry of Finance, State Administration of Taxation and CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2015] No. 101) (《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the China Securities Depository and Clearing Company dividends shall be temporarily exempted from individual income tax; where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income and where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For dividends distributed by the Listed Company, where the period of individual shareholding is within one year (inclusive), the Listed Company shall not withhold the individual income tax temporarily. The tax amount payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with its terms of shareholding. Custodian of shares including securities companies will withhold the tax amount from individual accounts and transfer the tax amount to China Securities Depository and Clearing Corporation Limited. China Securities Depository and Clearing Corporation Limited shall transfer the tax amount to the Listed Company within 5 working days of the next month, and the Listed Company shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period in that month.

Resident enterprise shareholders of A Shares shall report and pay for the enterprise income tax of dividends by themselves.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the Listed Company shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice of State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函2009[47]號)). For QFII shareholders who wish to enjoy tax concessions shall apply to the competent taxation authority for tax rebates (arrangements) according to the relevant rules and regulations after they receive the dividends, and tax rebates will be executed under tax agreements upon verification carried out by competent tax authorities.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

II. Holders of H Shares

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, the Company will, after withholding 10% of the final dividend as enterprise income tax, distribute the final dividend to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No. 348) and relevant laws and regulations, if the individual holders of H shares are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these shareholders. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部、國家税務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2014]81號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shanghai-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shanghai-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2016] No. 127) (《財政部、國家税務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shenzhen-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months could be exempted from enterprise income tax according to law.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which, in order to maintain the balance of the Company's reasonable return on investment to investors and the sustainable development of the Group, the Board will take into account the following factors when formulating the profit distribution plan: (1) the actual and expected financial results of the Group; (2) the dividends received by the Company from the subsidiaries; (3) the contract restrictions of the Group; (4) the Group's expected funding needs and future expansion plans; (5) the characteristics of the industry in which the Group operates; (6) external factors that have an impact on the Group's business, financial performance and positioning; (7) other factors that the Board considers appropriate.

At the extraordinary general meeting of shareholders on 12 March 2019, the Company approved the proposal on the dividend distribution plan within the three years following the initial public offering and listing of RMB ordinary shares (A Shares) and incorporated the Company's profit distribution policy in the "Articles of Association". The Company's profit distribution policy is as follows:

1. Profit distribution principles: the Company adopts consistent and stable profit distribution policies, which should emphasize on investors' reasonable investment return while maintaining sustainable development of the Company, but the profit distribution shall not exceed the range of the accumulated distributable profits or damage the Company's ability to continue operations.

2. Form of the profit distribution: the Company may distribute profit in the form of cash, shares, or by the combination of cash and shares, and shall adopt cash distribution as the prioritised mean to distribute profit provided that the conditions for cash distribution are satisfied.

3. Cash distribution interval: (1) the Company must make profit distribution at least once a year, provided that the Company records profit for the year with positive accumulative profit undistributed; (2) the Company may make interim profit distribution. The Board may propose to declare interim dividend according to the current profit scale, cash flows, development stage and capital needs.

4. The Board shall propose differentiated cash dividend policies according to the procedures as set out in the Articles of the Association by considering the following different circumstances after taking into full consideration the characteristics of the industry in which the Company operates, its stage of development, its business model, profitability and whether there are any arrangements for significant capital expenses: (1) if the Company is at mature stage and there are no arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 80% of the total profit to be distributed; (2) if the Company is at mature stage and there are arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 40% of the total profit to be distributed; (3) If the Company is at growth stage and there are arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 20% of the total profit to be distributed; If the stage of development of the Company is difficult to identify and there are arrangements for significant capital expenses, the preceding provision shall apply.

5. The specific conditions for the cash dividend distribution are as follows: (1) positive figures are recorded for the distributable profits of the Company (i.e. the remaining after-tax profits after the Company has covered loss and has extracted statutory reserve fund) during the preceding financial year; (2) a standard unqualified audit report is issued by an auditor for the financial report of the Company during the preceding financial year. If the Company recorded negative distributable profits for the preceding financial year or the auditor issued non-standard qualified audit report, the Company shall not distribute cash dividends during that year; (3) the Company has no such events as major investment plans or significant cash expenditures (excluding fund-raising projects).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out on pages 93 to 94 of this annual report.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company issued an aggregate of 40,045,300 H Shares of RMB1.00 each at a price of HK$59.00 per H Share, raising a total amount of HK$2,362.67 million in its Global Offering on 30 April 2015. Netting of the paid and accrued listing expenses amounting to RMB69.42 million, the net proceeds raised was RMB1,794.28 million. The Board has resolved at its meeting held on 18 March 2016 to propose to reallocate and change the use of the remaining balance of unutilized net proceeds of approximately RMB1,424.64 million. The aforesaid proposal was duly passed at the annual general meeting held on 3 June 2016. The Board has resolved at its meeting held on 9 December 2016 to propose to reallocate and change the use of the second remaining balance of unutilized net proceeds of approximately RMB386.74 million (equivalent to approximately HK$435.91 million). The aforesaid proposal was duly passed at the extraordinary general meeting held on 14 February 2017. The net proceeds of the Company from the Global Offering have been used up in the year ended 31 December 2019 according to the approved use.

USE OF PROCEEDS FROM THE A SHARE OFFERING

As approved by the document "Approval in Relation to Registration of the Initial Public Offering of Shanghai Haohai Biological Technology Co., Ltd." (Zheng Jian Xuke [2019] No. 1793) granted by CSRC, the Company was permitted to issue 17,800,000 ordinary shares (A Share) in RMB to the public at an issue price of RMB89.23 per Share. The total amount raised amounted to RMB1,588,294,000. After deducting the issuing expenses, the proceeds amounted to approximately RMB1,529,268,758. The share proceeds have been fully received, and have been verified by Ernst & Young Hua Ming LLP, which has issued the Capital Verification report. The proceeds are held in dedicated accounts of the Company.

I. Management of share proceeds

In order to reinforce and regulate the management and use of the fund raised, enhance the efficiency and benefits of use of proceeds, and protect investors' interests, the Company formulates the "Share Proceeds Management System of Shanghai Haohai Biological Technology Co., Ltd." ("Management System") in accordance with requirements of the applicable laws and regulations, together with the actual situation of the Company. According to the "Management System", the Company adopts a dedicated account storage system for the share proceeds, establishes a dedicated account for the share proceeds in the bank, and signed the "Tripartite Supervision Agreement on Dedicated Account for Share Proceeds" with the sponsor UBS Securities Co., Ltd., Shanghai Songjiang Sub-branch of China Everbright Bank Co., Ltd. and Shanghai Putuo Sub-branch of Bank of Ningbo Co., Ltd., signed the "Tripartite Supervision Agreement on Dedicated Account for Share Proceeds" with Shanghai Jianhua, the sponsor and Shanghai Putuo Sub-branch of Bank of Ningbo Co., Ltd., both of which clarified the rights and obligations of all parties. There is no significant difference between the above-mentioned Tripartite Supervision Agreements and the model of tripartite supervision agreement of SSE. The Company has strictly followed the performance when using the share proceeds, in order to facilitate the management and use of the share proceeds and to monitor their use and ensure that the special funds are used exclusively.

II. Actual use of share proceeds

The Company strictly uses the share proceeds in accordance with the Management System. For details of the actual use of share proceeds by the raised capital investment projects, please refer to the "Comparison Table of Use of Share Proceeds of A Share Offering for 2020".

Comparison Table of Use of Share Proceeds of A Share Offering for 2020

Unit: RMB ten thousand

Net amount of share proceeds	152,926.88	Total share proceeds invested during the year	21,707.72
Total amount of share proceeds involving changes in investment purpose	-	Accumulated total of share proceeds investments	50,245.76
As a percentage of the total amount of share proceeds	-		

Committed projects	If changed (including partial changes)	Committed Total Investment from Proceeds	Total investment after Adjustments	Total Amount committed for Investment as of the end of the Reporting Period (1)	Total amount invested during the year	Accumulated Amount Invested as of the end of the Reporting Period (2)	Difference between Accumulated Total Amount invested and the Total Amount Committed for Investment as of the end of the Reporting Period (3) = (2)-(1)	Investment Rate (%) as of the end of the Reporting Period (%) (4) = (2)/(1)	Date of project becoming Ready for Intended Use year	Profits Achieved during the year	Whether the Expected profits have been achieved	Whether there ere any Material Changes in relation to the Feasibility of the Projects
Committed projected												
International Medical R&D and Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生科國際醫藥研發及產業化項目)(note 1)	-	128,413.00	128,413.00(note 5)	128,413.00	3,356.01	28,744.47	-99,668.53	22.38	2023	-	N/A(note 2)	No
Supplementary liquidity (note 4)	-	20,000.00	20,000.00	20,000.00	16,986.22	20,135.79	135.79	100.68	N/A	N/A	N/A	No
Subtotal of committed investment projects	-	148,413.00	148,413.00	148,413.00	20,342.23	48,880.26	-99,532.74	32.94	-	-	-	-
Surplus proceeds investment (note 3)												
Supplementary liquidity	Yes	1,300.00	-	-	-	-	-	-	N/A	N/A	N/A	No
Fengxian-base Phase I Construction Project of Shanghai Jianhua Fine Biological Products Company Limited (建華生物奉賢基地一期建設專案)	Yes	-	4,552.22(note 5)	4,552.22	1,365.49	1,365.49	-3,186.73	30.00	2021	-	N/A(note 2)	No
Sub-total of surplus proceeds	-	1,300.00	4,552.22	4,552.22	1,365.49	1,365.49	-3,186.73	30.00	-	-	-	-
Total	-	149,713.00	152,965.22	152,965.22	21,707.72	50,245.75	-102,719.47	32.85	-	-	-	-
Reasons for projects no progressing as scheduled (by specific fundraising projects)	N/A.											
Explanation for material changes in the feasibility of projects	N/A.											

Initial investment in share proceed projects and replacement with share proceeds	The "Resolution on the Replacement of self-share proceeds Previously invested in Fund Raised Investment Projects with Fund from the Fund raised" was considered and approved at the sixth meeting of the fourth session of the Board and the fourth meeting of the fourth session of the Supervisor Committee held on 6 November 2019, the Company replaced a total of RMB146,578,985.00 self-share proceeds previously invested in fund raised investment projects with fund from the fund raised and replaced a total of RMB4,089,919.91 self-funded A share issue fees with fund from the fund raised. A total of RMB150,668,904.91 was used to replace the self-share proceed previously invested.
Idle share proceeds used for short-term liquidity Cash management of idle share proceeds and investment in related products	During the reporting period, there is no idle share proceeds used for short-term liquidity of the Company.
Idle share proceeds used for short-term liquidity Cash management of idle share proceeds and investment in related products	After considered and approved at the sixth meeting of the fourth session of the Board and the fourth meeting of the fourth session of the Supervisor Committee held on 6 November 2019, it is agreed that the Company uses the idle share proceeds up to RMB800 million for cash management for the purchase of investment products with high security, good liquidity and guaranteed capital, and the use period does not exceed the construction period of the fundraising investment project, which will be effective for twelve months from the date of approval by the Board. Within the aforementioned quota and period, the Company can use it cyclically. After considered and approved at the eighth meeting of the fourth session of the Board and the fifth meeting of the fourth session of the Supervisor Committee were held on 22 November 2019, it is agreed that the Company uses the idle share proceeds up to 450 million for cash management for the purchase of investment products with high security, good liquidity and guaranteed capital, and the use period does not exceed the construction period of the fundraising investment project, which will be effective for twelve months from the date of approval by the Board. Within the aforementioned quota and period, the Company can use it cyclically. After considered and approved at the twenty-second meeting of the fourth session of the Board and the thirteenth meeting of the fourth session of the Supervisor Committee were held on 28 December 2020, it is agreed that the Company uses the idle share proceeds up to 1,056 million for cash management for the purchase of investment products with high security, good liquidity and guaranteed capital, and the use period does not exceed the construction period of the fundraising investment project, which will be effective for twelve months from the end of the term approved by the sixth meeting and eighth meeting of the fourth Board. Within the aforementioned quota and period, the Company can use it cyclically. The sponsor has issued a verification opinion on the matter. As of 31 December 2020, the balance of the Company's investment products with high security, good liquidity and guaranteed capital purchased with idle share proceeds was RMB1,056 million.
Surplus share proceeds used for permanently replenishing liquidity or returning bank loans	As of 31 December, 2020, the Company did not idle surplus share proceeds with over-raised liquidity or repay bank loans.
Surplus shares proceeds used for projects under construction and new projects	The "Proposal on Permanently Surplus Share Proceeds with Part of the Over-raised Shares" was considered and approved at the sixteenth meeting of the fourth session of the Board and the tenth meeting of the fourth session of the Supervisor Committee were held on 14 May 2020. It was agreed that the Company will use the surplus shares proceeds of RMB32,411,800 (including interests) raised by the initial public offering and the surplus shares proceeds of RMB13,110,400 (including interest) previously used as supplementary liquidity, for a total of RMB45,522,200 (including interests) will be used to invest in the Fengxian-base Phase I construction project of Shanghai Jianhua Fine Biological Products Company Limited. The Independent Non-executive Directors issued an independent opinion expressly agreed. The proposal was reviewed and approved by the Company's 2019 annual general meeting on 29 June, 2020. The sponsor has issued a verification opinion on the matter. As of 31 December 2020, there is RMB16,654,939.00 surples share proceeds used for above projects.
Surplus share proceeds of projects and the reasons	N/A
Other uses of share proceeds	During the reporting period, there is no other uses of the share proceeds of the Company.

Note 1： The amounts in this column are tax-included amounts

Note 2： As of 31 December 2020, the construction of the "International Medical R&D and Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd." and "Fengxian-base Phase I Construction Project of Shanghai Jianhua Fine Biological Products Company Limited" have not been completed.

Note 3： The total amount of surplus share proceeds was RMB45,522,2000(Interest included).

Note 4： Supplementary liquidity has been invested a total of RMB201,357,900, which is RMB1,357,900 more than the total committed investment of RMB200,000, which is the net amount of interest income from the supplementary liquidity. As of 31 December, 2020, the share proceeds for the supplementary liquidity have been used up.

Note 5: The expected timeline for full utilisation of the share proceeds for the "International Medical R&D and Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd." is by 2023, the expected project completion year. The expected timeline for full utilisation of the share proceeds for the "Fengxian-base Phase I Construction Project of Shanghai Jianhua Fine Biological Products Company Limited" is by 2021, the expected project completion year.

SHARE CAPITAL

Share capital of the Company as at 31 December 2020 was as follows:

	Number of shares	Percentage of total issued share capital
A Shares	137,800,000	77.762%
H Shares	39,406,600	22.238%

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At the 2020 first extraordinary general meeting, the 2020 first A shareholders' class meeting and the 2020 first H shareholders' class meeting of the Company held on 14 February 2020, a proposal was approved to grant the Board a general mandate to repurchase the Company's H Shares. Pursuant to such authorization, the Company has repurchased a total of 638,700 H Shares on the Hong Kong Stock Exchange during the period from 27 March 2020 to 8 May 2020, using a total amount of approximately HK$24,721,000, and cancelled such 638,700 H Shares on 3 July 2020. After the cancellation, the total number of shares of the Company is 177,206,600 Shares.

At the 2019 annual general meeting, the 2020 second A shareholders' class meeting and the 2020 second H shareholders' class meeting of the Company held on 29 June 2020, a proposal was approved to grant the Board a general mandate to repurchase the Company's H Shares. Pursuant to such authorization, the Company has repurchased a total of 584,500 H Shares on the Hong Kong Stock Exchange during the period from 21 July 2020 to 3 September 2020, using a total amount of approximately HK$31,236,345, and cancelled such 584,500 H Shares on 19 March 2021. After the cancellation, the total number of shares of the Company is 176,622,100 Shares.

Save as disclosed in this report, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS AND ARRANGEMENTS ON OPTIONS OF SHARES

There are no provisions for pre-emptive rights for the shareholders of the Company under the PRC laws and the Articles of Association. During the Reporting Period, the Company does not have any arrangement on options of shares.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the aggregate purchases attributable to the Group's five largest suppliers comprised 54.53% of the Group's total purchases for the year ended 31 December 2020, among which, the purchases attributable to the Group's largest supplier during the Reporting Period was 26.11%.

During the Reporting Period, the aggregate sales attributable to the Group's five largest distributors comprised 10.26% of the Group's total sales for the year ended 31 December 2020, among which, the sales attributable to the Group's largest distributor during the Reporting Period was 4.38%. During the Reporting Period, none of the distributors was our supplier and vice versa.

During the Reporting Period, the aggregate sales attributable to the Group's five largest customers comprised 18.30% of the Group's total sales for the year ended 31 December 2020, among which, the sales attributable to the Group's largest customer during the Reporting Period was 5.57%.

During the Reporting Period, none of the Directors or their close associates or shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's total issued shares had any beneficial interest in the five largest suppliers, distributors or customers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and its subsidiaries during Reporting Period are set out in note 13 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and details of the reserves distributable to shareholders during the Reporting Period are set out in note 32 to the financial statements.

TAX RELIEF AND EXEMPTION

Saved as disclosed in this annual report, the Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2020, the Company and NIMO, a subsidiary of the Company, had interest-bearing bank borrowings of approximately RMB50.00 million and RMB28.69 million respectively.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth the particulars of the Directors, supervisors and senior management after the Reporting Period and as at the date of this annual report:

Name	Capacity
Dr. Hou Yongtai	Chairman and Executive Director
Mr. Wu Jianying	Executive Director and General Manager
Mr. Tang Minjie	Executive Director and Chief Financial Officer
Ms. Chen Yiyi	Executive Director
Ms. You Jie	Non-executive Director
Mr. Huang Ming	Non-executive Director
Ms. Li Yingqi	Independent Non-executive Director (elected as Independent Non-executive Director on 29 June 2020)
Mr. Jiang Zhihong	Independent Non-executive Director (elected as Independent Non-executive Director on 29 June 2020)
Mr. Su Zhi	Independent Non-executive Director (elected as Independent Non-executive Director on 29 June 2020)
Mr. Yang Yushe	Independent Non-executive Director (elected as Independent Non-executive Director on 29 June 2020)
Mr. Zhao Lei	Independent Non-executive Director (elected as Independent Non-executive Director on 29 June 2020)
Mr. Liu Yuanzhong	Chairman of the Supervisory Committee and Shareholder Supervisor
Ms. Yang Qing	Independent Supervisor
Mr. Tang Yuejun	Independent Supervisor
Mr. Wei Changzheng	Employee representative Supervisor
Mr. Yang Linfeng	Employee representative Supervisor
Ms. Ren Caixia	Deputy general manager
Mr. Zhang Jundong	Deputy general manager
Mr. Wang Wenbin	Deputy general manager
Ms. Tian Min	Secretary of the Board and one of the joint company secretaries

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all Independent Non-executive Directors, the confirmation letters of their independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. Based on their confirmations, the Company considers that all Independent Non-executive Directors are independent.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The particulars of the profiles of the Directors, Supervisors and senior management are set out on pages 69 to 77 in this annual report.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, the change of the composition of the Board as below:

1. Mr. Chen Huabin, Mr. Shen Hongbo and Mr. Zhu Qin have no longer serviced as Independent Non-executive Directors as well as their respective related positions in the committees of the Board since 29 June 2020 due to their six-year term of re-election as Independent Non-executive Directors.

2. Mr. Wong Kwan Kit has no longer serviced as an Independent Non-executive Director as well as his related positions in the committees of the Board since 29 June 2020 due to his personal work commitments.

3. Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei have been appointed as Independent Non-executive Directors from 29 June 2020 to the expiration of the term of the Fourth Session of the Board.

Save as disclosed above and the disclosure of section of "Profits of Directors, Supervisors and Senior Management" under this annual report, there is no change in information of the Directors, Supervisors or chief executive which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules since the date of the Company's 2020 interim report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of our Directors (including our non-executive and Independent Non-executive Directors) has entered into a service contract with our Company for a term of three years subject to termination in accordance with their respective terms. Each of the Supervisors has entered into a service contract with our Company for a term of three years and in respect of, among others, compliance with relevant laws and regulations, observation of the Articles of Association and provision on arbitration.

None of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group which is not determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in this annual report, no Director or Supervisor had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group or its subsidiaries, to which the Company or any of its subsidiaries and controlling companies or any of its subsidiaries entered into during or at the end of the Reporting Period.

CONTRACT OF SIGNIFICANCE

Except as disclosed in this annual report, during the Reporting Period, no contracts of significance in respect of provision of services or otherwise were entered into between the Company or its subsidiaries and the controlling shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

In order to restrict competition activities with the Company, our controlling shareholders, Ms. You Jie (who is also a non-executive Director of the Company) and Mr. Jiang Wei (collectively, the "**Covenantors**") have entered into a deed of non-competition in favour of the Company dated 8 December 2014 (the "**Deed of Non-Competition**"). The undertakings and covenants stipulated under the Deed of Non-Competition cover any business which is or may be in competition with the Core Operations (as defined therein) or the business of any member of our Group from time to time within the territories of Hong Kong and the PRC and such other parts of the world where such businesses are carried on by any member of our Group.

In determining whether the Covenantors had fully complied with the non-competition undertakings during the year ended 31 December 2020, the Company noted that (a) the Covenantors declared that they had fully complied with the non-competition undertakings in the Non-Competition Deed as at 31 December 2020, (b) no new competing business was reported by the Covenantors as at 31 December 2020, (c) there was no particular situation rendering the full compliance of the non-competition undertakings being questionable, and (d) the Independent Non-executive Directors had reviewed the compliance of non-competition undertakings by the Covenantors as part of the annual review process stipulated in the Deed of Non-Competition.

During the year ended 31 December 2020, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of emoluments of Directors, Supervisors, senior management and five highest paid individuals of the Company are set out in notes 8 and 9 to the financial statements. During the Reporting Period, there was no arrangement under which any Directors or Supervisors of the Company waived their remuneration.

Executive Directors are remunerated according to their performance appraisal in accordance with the specific management positions they hold in the Group and are no longer separately remunerated as Directors, such remuneration will be determined by the Board. Non-executive Directors (including Independent Non-executive Directors) are remunerated at a fixed rate and should be determined by the Shareholders at the general meetings of the Company with reference to his/her background, experience and duties and responsibilities with the Company and the prevailing market conditions. Ms. You Jie, a non-executive Director, is not remunerated as a Director.

Remuneration of senior management members of the Company set out in this annual report, other than Directors and Supervisors, falls within the following bands:

Band	Number
RMB0-600,000	1
RMB600,001-1,000,000	3

REMUNERATION OF EMPLOYEES AND POLICIES

As of 31 December 2020, the Group had 1,374 employees in total. The remuneration package for our employees generally includes salary, allowances and bonuses. Employees can also receive benefits such as housing allowance and social insurance. The particulars of the employees of the Company are set out in note 6 to the financial statements.

PENSION SCHEME

Pursuant to the provisions of the relevant laws and regulations of the PRC, the Group is required to participate in contribution to retirement benefit schemes established by the relevant provincial and municipal government authorities. The Group and its employees are required to make contributions, at certain percentages of employees' total salaries, to the retirement benefit scheme in accordance with such scheme. Upon retirement, employees will receive the pension issued by the provincial and municipal government authorities on a monthly basis.

Details of the Company's pension scheme are set out in note 6 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, to the knowledge of the Directors of the Company, the interests or short positions of persons other than Directors, chief executives or Supervisors of the Company in the shares and underlying shares of the Company as recorded in the register which were required to be notified to the Company and Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows. In the event of changes in the shareholding of the shareholders in the Company, the shareholders will not be required to notify the Company and the Hong Kong Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the shareholders in the Company may be different from the shareholding submitted to the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS HOLDING A SHARES OF THE COMPANY

Name	Number of A Shares (shares)	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Jiang Wei[1]	44,449,000 (L)	32.26	25.08	Beneficial owner
	28,800,000 (L)	20.90	16.25	Interest of spouse
	6,471,000 (L)	4.70	3.65	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanxi Corporate Management Limited Company[2]	6,471,000 (L)	4.70	3.65	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership)[2]	6,471,000 (L)	4.70	3.65	Beneficial owner
Lou Guoliang	9,500,000 (L)	6.89	5.36	Beneficial owner

Note: L denotes long position

1. Mr. Jiang Wei directly holds 44,449,000 A Shares. He is the spouse of Ms. You Jie, our non-executive Director, and therefore he is deemed under the SFO to be interested in the 28,800,000 A Shares held by Ms. You Jie in the Company. He holds 6,471,000 A Shares through his interest in controlling Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company.

2. Each of Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company is deemed to be interested in such shares.

SUBSTANTIAL SHAREHOLDERS HOLDING H SHARES OF THE COMPANY

Name	Number of H Shares (shares)	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Prime Capital Management Company Limited[2]	4,256,895 (L)	10.80	2.40	Investment Manager
UBS Group AG[1][2]	3,078,639 (L)	7.81	1.74	Interest of corporation controlled by the substantial shareholder
Templeton Investment Counsel, LLC[2]	2,760,400 (L)	7.00	1.56	Investment Manager
Dalton Investments LLC[2]	2,418,200 (L)	6.14	1.36	Investment Manager
Prudence Investment Management (Hong Kong) Limited[2]	1,969,600 (L)	5.00	1.11	Investment Manager

Notes: L denotes long position

(1) UBS Group AG was deemed to have interest in long position of 3,078,639 H Shares (both UBS AG and UBS Switzerland AG were wholly owned by UBS Group AG, and was beneficially holding long position of 2,841,899 H Shares and long position of 236,740 H Shares in the Company respectively).

(2) The disclosure is based on the information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk).

Save as disclosed above, as at 31 December 2020, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the shares or underlying shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Hong Kong Listing Rules were as follows:

Name	Number of H Shares of the Company (shares)	Number of A Shares of the Company (shares)	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
You Jie[(1)]		28,800,000 (L)		20.90	16.25	Beneficial owner
		50,920,000 (L)		36.95	28.73	Interest of spouse
Hou Yongtai		6,000,000 (L)		4.35	3.39	Beneficial owner
Wu Jianying		6,000,000 (L)		4.35	3.39	Beneficial owner
Huang Ming		2,000,000 (L)		1.45	1.13	Beneficial owner
Chen Yiyi		400,000 (L)		0.29	0.23	Beneficial owner
Liu Yuanzhong		2,000,000 (L)		1.45	1.13	Beneficial owner
Tang Minjie	7,000 (L)		0.02		0.004	Beneficial owner

Note: L denotes long position

1. Ms. You Jie directly holds 28,800,000 A Shares of the Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 44,449,000 A Shares directly held by Mr. Jiang Wei and 6,471,000 A Shares held through Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) in the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2020, none of the other Directors, Supervisors or any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

CONNECTED TRANSACTIONS

On 26 March 2018 (after trading hours), (1) the Company entered into the Spray Pump Customization Agreement with Haohai Technology (Changxing) Company Limited (昊海科技（長興）有限公司) ("Haohai Changxing"), pursuant to which the Company agreed to engage Haohai Changxing to process spray pumps for use in the Company's product packaging until 31 December 2020; and (2) the Company entered into the Plastic Syringe Accessories Customization Agreement with Haohai Changxing, pursuant to which the Company (on behalf of the Group) agreed to engage Haohai Changxing to process plastic syringe accessories for use in the Group's product packaging until 31 December 2020. At that time, Haohai Changxing is held indirectly as to 49% by Mr. Jiang Wei, a controlling shareholder of the Company and the spouse of Ms. You Jie, a controlling shareholder and director of the Company, and held indirectly as to 50% by Mr. Huang Ming, a director of the Company. The Company published an announcement dated the same date in accordance with Chapter 14A of the Hong Kong Listing Rules. On 31 December 2019, Mr. Huang Ming transferred his 50% equity interest in Haohai Changxing held indirectly by him to a corporation controlled by Ms. You Jie, a non-executive director and a controlling shareholder of the Company. Accordingly, Ms. You Jie indirectly holds 51% equity interest in Haohai Changxing.

The annual caps for the amount payable by the Company to Haohai Changxing under the Spray Pump Customization Agreement and the Plastic Syringe Accessories Customization Agreement will be aggregated in accordance with the requirements under Rule 14A.81 of the Hong Kong Listing Rules. As the applicable percentage ratios (other than the profit ratio) of the Product Customization Agreements calculated with reference to the aggregated annual caps are less than 5%, the transactions contemplated under the Product Customization Agreements are subject to annual review, reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempted from the requirement of the circular including independent financial advice, and approval by independent shareholders.

In 2020, the Group's total transaction amount with Haohai Changxing contemplated under Spray Pump Customization Agreement and the Plastic Syringe Accessories Customization Agreement was RMB2,185,511 and RMB35,398 respectively. The annual cap for the year 2020 was RMB9,000,000 and RMB7,500,000 respectively.

The above annual caps were determined according to (1) the historical transaction volume between the Company and other suppliers; (2) the expected growth of sales volume of relevant products; and (3) the prevailing price in market.

During the Reporting Period, the Company followed the pricing policies and mechanisms set out in the respective agreements for the above continuing connected transactions when determining the prices and terms of those transactions.

The Independent Non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2020 and have confirmed that these continuing connected transactions were:

(1) entered into in the ordinary and usual course of business of the Group;

(2) entered into on normal commercial terms or better to the Group; and

(3) in accordance with the terms of respective agreements governing the transactions that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong standards on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions Under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Save as disclosed above, during the year ended 31 December 2020, the Group has not entered into any connected transactions or continuing connected transactions which were subject to disclosure in this annual report under Chapter 14A of the Hong Kong Listing Rules.

In January 2020, the Company subscribed 19% equity interest in Shanghai Lun Sheng Information Technology Company Limited (上海倫勝信息科技有限公司), 30.77% in which was indirectly controlled by Ms. You Jie, Mr. Huang Ming and Mr. Wu Jianying, the non-executive directors and executive director of the Company. The transaction constituted a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As all of the percentage ratios (other than profits ratio) are less than 0.1%, the connected transaction is fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.76(1)(a) and Rule 14A.74 of the Hong Kong Listing Rules.

Information on connected transactions effective during the Reporting Period are contained in note 38(a)(i) and note 38(b) to the financial statements in this annual report, among which, note 38(b) is fully exempt connected transactions pursuant to the Rule 14A.76 of the Hong Kong Listing Rules.

The related party transactions in respect of the remuneration of Directors, Supervisors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than Directors, Supervisors and chief executives) of the Company were not connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

RELATED PARTY TRANSACTIONS

The details on the related party transactions of the Group for the year ended 31 December 2020 are set out in note 38 to the financial statements in this annual report.

Save as disclosed above, none of the related party transactions constitutes a connected transaction or continuing connected transaction which is subject to the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions under the CG Code as set out in Appendix 14 of the Hong Kong Listing Rules throughout the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors of the Company. Having made specific enquiries to all Directors and Supervisors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors of the Company or their respective associates (as defined in the Hong Kong Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the Reporting Period.

DONATIONS

During the Reporting Period, the Group made donations of RMB844,256.70.

INDEMNITY OF THE DIRECTORS

Pursuant to provisions of the Articles of Association, the Company may insure against the various possible legal risks faced by the Directors, Supervisors, general manager and other senior management in the ordinary course of performing their duties and the Company has arranged appropriate liability insurance for the Directors, Supervisors and senior management of the Company.

PUBLIC SHAREHOLDINGS

Based on the public information available to the Company and so far as the Directors are aware, up to the date of this annual report, at least 25% of the issued share capital of the Company is held by the public.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. So far as the Directors are aware, there is no material litigation or claims which are pending or threatened against the Company.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference. Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit have no longer serviced as Directors as well as their respective related positions of the Audit Committee since 29 June 2020. Ms. Li Yingqi has been appointed as the chairlady of the Audit Committee, Mr. Jiang Zhihong, Mr. Su Zhi and Mr. Zhao Lei have been appointed as members of the Audit Committee on 29 June 2020. As at the date of this report, the Audit Committee is comprised of five Directors, namely Ms. Li Yingqi (chairlady), Ms. You Jie, Mr. Jiang Zhihong, Mr. Su Zhi and Mr. Zhao Lei. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting procedures, risk management and internal control system. The 2020 annual results and financial statements of the Group for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards have been reviewed by the Audit Committee.

AUDITORS

Ernst & Young has been appointed as Auditors in respect of the financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards. These financial statements have been audited by Ernst & Young. Since the date of preparation for the listing on the Hong Kong Stock Exchange, the Company has been engaging Ernst & Young for their services. Ernst & Young will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE HONG KONG LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

By order of the Board
Hou Yongtai
Executive Director and Chairman of the Board

26 March 2021

CORPORATE GOVERNANCE REPORT

The Company and its subsidiaries are committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

SUMMARY OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising general meeting, the Board, Supervisory Committee and the management in accordance with Company Law, the Securities Law of the People's Republic of China and the Listing Rules of the place where the Shares are listed. Such structure gives a clear division of authority and responsibilities among the authority, decision-making and regulatory bodies and the management, and creates a balanced mechanism and mutual coordination for standard operation.

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all the code provisions set out in Corporate Governance Code and adopted substantially all the recommended best practices therein.

THE BOARD

The Board exercises its authority in accordance with the provisions set out in the Articles of Association. It reports its work at general meetings, implements the resolutions passed at general meetings and is accountable to the general meetings.

COMPOSITION AND TERM OF OFFICE OF THE BOARD

As at the end of the Reporting Period, the Board comprised of eleven members, consisting of four executive Directors, two non-executive Directors and five Independent Non-executive Directors. Listed below are incumbent Directors of the Company during the Reporting Period:

Executive Directors
Dr. Hou Yongtai *(Chairman)*
Mr. Wu Jianying *(General Manager)*
Mr. Tang Minjie *(Chief Financial Officer)*
Ms. Chen Yiyi

Non-executive Directors
Ms. You Jie
Mr. Huang Ming(2)

Independent Non-executive Directors
Mr. Chen Huabin(1)
Mr. Shen Hongbo(1)
Mr. Zhu Qin(1)
Mr. Wong Kwan Kit(1)
Ms. Li Yingqi(2)
Mr. Jiang Zhihong(2)
Mr. Su Zhi(2)
Mr. Yang Yushe(2)
Mr. Zhao Lei(2)

Notes:

1) Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit have no longer serviced as Independent Non-executive Directors as well as their respective related positions in the committees of the Board since 29 June 2020.

(2) Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei have been appointed as Independent Non-executive Directors from 29 June 2020 to the expiration of the term of the Fourth Session of the Board.

During the Reporting Period, the Board has complied with the requirements of the Hong Kong Listing Rules on appointment of at least three Independent Non-executive Directors, representing at least one-third of members of the Board and at least one of whom shall have appropriate professional qualifications, or accounting or relevant financial management expertise. The qualifications of the five Independent Non-executive Directors of the Company fully comply with the requirements of Rules 3.10(1) and (2) of the Hong Kong Listing Rules.

None of the Independent Non-executive Directors of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of their independence under Rule 3.13 of the Hong Kong Listing Rules. Accordingly, the Company is of the opinion that all the Independent Non-executive Directors are independent under Rule 3.13 of the Hong Kong Listing Rules.

The detailed biographies of the Directors are set out on pages 69 to 75 of this annual report. Members of the Board do not have any relationships between each other (including financial, business, family or other material or related relations). The Board is well-balanced in structure and each of its members possesses extensive knowledge, experience and talent in relation to the business operation and development of the Company. All the Directors are well aware of their joint and several responsibilities towards the shareholders of the Company.

Meetings of the Board

According to the Articles of Association, meetings of the Board shall be held at least four times a year. Meetings shall be convened by the chairman of the Board. Notice of the meetings shall be sent to all Directors and Supervisors before the meeting is held under the relevant provisions.

A meeting of the Board shall be attended by more than half of all the Directors. Meetings of the Board shall be attended by the Directors in person. If a Director cannot attend a meeting for any reason, he may appoint in writing another Director as his proxy to attend the meeting on his behalf. The instrument of proxy shall specify the scope of authority.

During the Reporting Period, the Board held 12 meetings in total, with details of the attendance of Directors specified as follows:

Name	Meetings attended/ Meetings eligible to attend
Mr. Hou Yongtai	12/12
Mr. Wu Jianying	12/12
Ms. Chen Yiyi	12/12
Mr. Tang Minjie	12/12
Ms. You Jie	12/12
Mr. Huang Ming	12/12
Mr. Chen Huabin(1)	6/6
Mr. Shen Hongbo(1)	6/6
Mr. Zhu Qin(1)	6/6
Mr. Wong Kwan Kit(1)	6/6
Ms. Li Yingqi(2)	6/6
Mr. Jiang Zhihong(2)	6/6
Mr. Su Zhi(2)	6/6
Mr. Yang Yushe(2)	6/6
Mr. Zhao Lei(2)	6/6

Notes:

(1) Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit have no longer serviced as Independent Non-executive Directors as well as their respective related positions in the committees of the Board since 29 June 2020.

(2) Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei have been appointed as Independent Non-executive Directors from 29 June 2020 to the expiration of the term of the Fourth Session of the Board.

Authority Exercised by the Board and the Management

The functions and powers of the Board and the management are well defined in the Articles of Association, aiming to provide an adequate balance and restriction mechanism for the purpose of sound corporate governance and internal control.

The management of the Company is accountable to the Board. Under the leadership of the General Manager, the management is responsible for implementing the resolutions duly approved by the Board, formulating specific regulations of the Company and supervising the daily operation and management of the Company.

Directors' Continuous Training and Development

Pursuant to code provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. During the Reporting Period, according to the records maintained by the Company, all current Directors (i.e. Dr. Hou Yongtai, Mr. Wu Jianyin, Ms. Chen Yiyi, Mr. Tang Minjie, Ms. You Jie, Mr. Huang Ming, Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei) participated in online trainings regarding the "Notifiable Transaction Rules" and "Connected Transaction Rules" provided by the Hong Kong Stock Exchange. Besides, the new Independent Non-executive Directors, namely Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei participated in the trainings regarding the duties of directors and the continuing obligations of listing companies.

Chairman and General Manager

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of the Chairman and the chief executive officer (our General Manager) should be segregated and should not be performed by the same individual. During the Reporting Period, Dr. Hou Yongtai acted as the Chairman and Mr. Wu Jianying acted as the General Manager. The Chairman and the General Manager do not have any relationships (including financial, business, family or other material or connected relationship). The Articles of Association have defined the division of roles and duties between the Chairman and the General Manager.

Appointment and Re-election of Directors

Pursuant to the requirements of the Articles of Association, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. A Director shall be eligible for re-election on the expiry of each term. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee of the Board and then submitted to the Board, subject to approval by election at the general meeting.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors, and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

The Company has in place a Director nomination policy. For evaluating and determining the candidates of Directors, the Nomination Committee and the Board of Directors shall consider the following factors: personal characters; professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willing to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board of Directors; whether their appointment is in compliance with the requirements of the Listing Rules of the places where the Shares are listed regarding the independence of the Board of Directors and Directors (including the independence requirements of Independent Non-executive Directors); whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

The nomination procedures for company Directors include:

I. Nomination procedures for appointment of new Directors

Upon receipt of the proposal on appointment of new Director and the biographical information of the candidate, the Nomination Committee should require the nominee to submit biographical information and the consent to be appointed as a Director, and evaluate the candidate based on the criteria for Director selection to determine whether such candidate is qualified for Directorship. The Nomination Committee should then make recommendations to the Board on the appointment of a suitable candidate to serve as a Director; if an Independent Non-executive Director is to be appointed, the recommendations should include the process of identifying the candidate, the reasons for recommending the candidate, the independence of the candidate, the views, perspectives, skills and experience that the candidate can bring to the Board, the candidate's role in promoting the diversity of Board members, etc..

II. Re-election of Directors at shareholders' meeting

The Nomination Committee should review the overall contribution and service to the Company of the retiring Directors, including its attendance at Board meetings and general meetings (if applicable), and his/her level of participation and performance on the Board. The Nomination Committee should require the nominee to submit biographical information and the consent to be appointed as a Director; and should review and determine whether retiring Directors still meet the criteria for Director selection. The Nomination Committee should then make recommendations to the Board on the re-election of Directors; if an Independent Non-executive Director is to be re-elected, the recommendations should include the process of identifying the candidate, the reasons for recommending the candidate, the independence of the candidate, the views, perspectives, skills and experience that the candidate can bring to the Board, the candidate's role in promoting the diversity of Board members, etc..

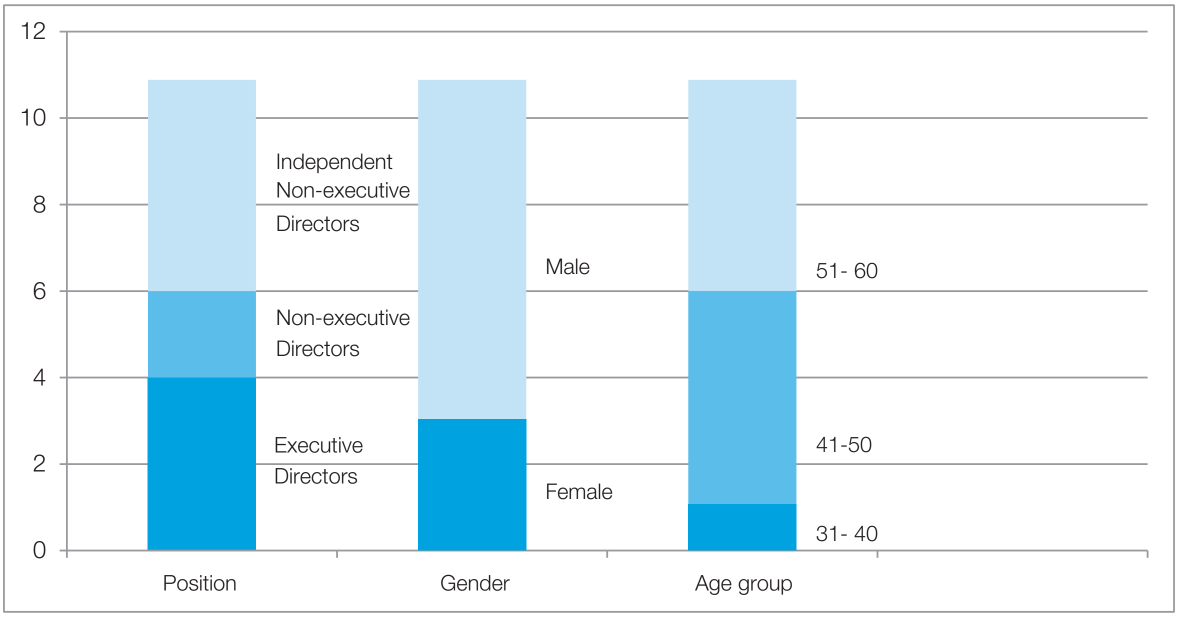
Board Diversity Policy

In accordance with the requirements of Corporate Governance Code and Corporate Governance Report, the Company has adopted a board diversity policy and submitted to the Board for approval. The policy is summarized as below:

The Board has adopted a policy on board diversity (the "**Diversity Policy**"). The Diversity Policy specifies that in designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

The Nomination Committee will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of this Diversity Policy. The Nomination Committee will review the effectiveness of this Policy, as appropriate discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the Reporting Period, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 69 to page 73 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

During the Reporting Period, the Board has not set any measurable objectives: in addition to meeting the requirements of the Company Law, the STAR Market Listing Rules, and the Hong Kong Listing Rules, the selection of candidates will be based on a range of diversified areas, including but not limited to gender, age, professional experience, education background and term of service. The final decision will be based on the strengths of the candidate and the contributions he can make to the Board. The Nomination Committee considers that the Board has maintained an appropriate balance in all aspects of member diversity, and satisfy with the current situation.

Directors' and Senior Management's Liability Insurance

The Company has entered into Directors' and senior management's liability insurance policy to cover any possible legal action against them.

Corporate Governance Function

The Board is collectively responsible for the duties relating to corporate governance. During the Reporting Period, the Board has mainly performed the following duties relating to corporate governance:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review the effectiveness of the internal controls and risk management systems of the Company; and

(c) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

BOARD COMMITTEES

There are four committees under the Board, namely, Audit Committee, Remuneration and Review Committee, Nomination Committee and Strategy Committee.

Audit Committee

The primary duties of the Audit Committee are to maintain an appropriate relationship with the Company's auditors, review the Company's financial information, and oversee the Company's financial reporting system, risk control and internal control system. Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

Up to now, the Audit Committee is comprised of five Directors, namely Ms. Li Yingqi (Independent Non-executive Director), Ms. You Jie (non-executive Director), Mr. Jiang Zhihong (Independent Non-executive Director), Mr. Su Zhi (Independent Non-executive Director) and Mr. Zhao Lei (Independent Non-executive Director), and one of them (i.e. Ms. Li Yingqi) is an Independent Non-executive Director who possesses appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules. Ms. Li Yingqi is the chairlady of the Audit Committee.

During the Reporting Period, the Audit Committee held five meetings in total and reviewed the audited financial statements and annual report for the year ended 31 December 2019, reviewed the unaudited financial statements and interim report for the six months ended 30 June 2020, reviewed financial statements for the first quarter and the third quarter of 2020, reviewed the onshore and offshore audit firms' expenses in 2019, recommendation to engage onshore and offshore audit firms in 2020, as well as reviewed the 2019 work summary and 2020 work plan of the audit department of the Company. The table below sets out the details of attendance of each member at meetings of the Audit Committee held during the Reporting Period:

Name	Meetings attended/ Meetings held
Ms. You Jie	5/5
Mr. Chen Huabin(1)	2/5
Mr. Shen Hongbo(1)	2/5
Mr. Zhu Qin(1)	2/5
Mr. Wong Kwan Kit(1)	2/5
Ms. Li Yingqi(2)	3/5
Mr. Jiang Zhihong(2)	3/5
Mr. Su Zhi(2)	3/5
Mr. Zhao Lei(2)	3/5

Notes:

(1) Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit have no longer serviced as Directors as well as their respective related positions of the Audit Committee since 29 June 2020.

(2) Ms. Li Yingqi has been appointed as the chairlady of the Audit Committee, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Zhao Lei have been appointed as members of the Audit Committee on 29 June 2020.

Remuneration and Review Committee

The Remuneration and Review Committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Hong Kong Listing Rules (i.e. making recommendation to the Board on the remuneration package of individual executive Director and senior management member). The primary duties of the Remuneration and Review Committee include: formulating job description, performance evaluation system and target, remuneration system and standards for the Company's members of the senior management; formulating share incentive scheme for the Company's Directors, Supervisors and members of the senior management pursuant to relevant laws, regulations or normative documents; making recommendations to the Board on remuneration policy and structure for the Company's Directors and members of the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board, from time to time, on total remuneration and/or interests that have been granted to Directors and members of the senior management; making recommendations to the Board on the remuneration of non-executive Directors; and such other matters authorized by the Board. Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

Up to now, the Remuneration and Review Committee was comprised of five Directors, namely Mr. Su Zhi (independent non-executive Director), Mr. Wu Jianying (executive Director), Mr. Huang Ming (non-executive Director), Ms. Li Yingqi (Independent Non-executive Director) and Mr. Zhao Lei (Independent Non-executive Director) among which, Mr. Su Zhi is the chairman of the Remuneration and Review Committee.

During the Reporting Period, the Remuneration and Review Committee held a meeting to review and approve the remuneration of Directors and senior management personnel in 2019 and remuneration plan of Directors, Supervisors and senior management personnel in 2020. The table below sets out the details of attendance of each member at meetings of the Remuneration and Review Committee held during the Reporting Period:

Name	Meetings attended/ Meetings held
Mr. Wu Jianying	1/1
Mr. Huang Ming	1/1
Mr. Chen Huabin[(1)]	1/1
Mr. Shen Hongbo[(1)]	1/1
Mr. Zhu Qin[(1)]	1/1
Ms. Li Yingqi[(2)]	0/0
Mr. Su Zhi[(2)]	0/0
Mr. Zhao Lei[(2)]	0/0

Notes:

(1) Mr. Chen Huabin, Mr. Shen Hongbo and Mr. Zhu Qin have no longer serviced as Directors as well as their respective related positions of the Remuneration and Review Committee since 29 June 2020.

(2) Mr. Su Zhi has been appointed as the chairman of the Remuneration and Review Committee, Ms. Li Yingqi and Mr. Zhao Lei have been appointed as members of the Remuneration and Review Committee on 29 June 2020.

Nomination Committee

The primary duties of the Nomination Committee include: making recommendations to the Board on the size and composition of the Board and the management based on the Company's business operation, asset scale and shareholding structure, and reviewing the structure, size and composition of the Board at least annually, and taking diverse factors into account when reviewing the composition of the Board; making recommendations to the Board on the appointment, re-election and succession planning of directors; assessing the independence of Independent Non-executive Directors and formulating policies relating to the diversity of members of the Board. Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

Up to now, the Nomination Committee consists of five Directors, namely Mr. Zhao Lei (Independent Non-executive Director), Mr. Hou Yongtai (executive director), Ms. You Jie (non-executive Director), Ms. Li Yingqi (independent non-executive Director) and Mr. Su Zhi (Independent Non-executive Director). Mr. Su Zhi is the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee held two meetings to review the Board diversity and achievement of objectives, assess the dependence of Independent Non-executive Directors, review of the Board structure and the non-executive Directors' duties fulfillment to the Company and make a suggestion to the candidates for Independent Non-executive Directors. The table below sets out the details of attendance of each member at meetings of the Nomination Committee held during the Reporting Period:

Name	Meetings attended/ Meetings held
Mr. Hou Yongtai	2/2
Ms. You Jie	2/2
Mr. Chen Huabin(1)	2/2
Mr. Zhu Qin(1)	2/2
Mr. Wong Kwan Kit(1)	2/2
Ms. Li Yingqi(2)	0/0
Mr. Su Zhi(2)	0/0
Mr. Zhao Lei(2)	0/0

Notes:

(1) Mr. Chen Huabin, Mr. Wong Kwan Kit and Mr. Zhu Qin have no longer serviced as Directors as well as their respective related positions of the Nomination Committee since 29 June 2020.

(2) Mr. Zhao Lei has been appointed as the chairman of the Nomination Committee, Ms. Li Yingqi and Mr. Su Zhi have been appointed as members of the Nomination Committee on 29 June 2020.

Strategy Committee

The primary duties of the Strategy Committee are to study and provide advice on the long-term development strategy plan of the Company; study and provide advice on material matters such as external investment, acquisition and disposal of assets, assets pledge, provision of external guarantee, entrusted financial management, connected transactions, financing plan and development strategies which shall be submitted to the Board for approval in accordance with the provisions of the Articles of Association, the Listing Rules of the place where the shares are listed and relevant laws and regulations; study and provide advice on other material matters affecting the development of the Company; review the implementation of the above matters and other matters authorized by the Board.

Up to now, the Strategy Committee consists of five Directors, namely Dr. Hou Yongtai (executive Director), Mr. Wu Jianying (executive Director), Mr. Huang Ming (non-executive Director), Ms. You Jie (non-executive Director) and Mr. Yang Yushe (Independent Non-executive Director). Ms. You Jie is the chairwoman of the Strategy Committee.

During the Reporting Period, the Strategy Committee held a meeting to review the 2019 work report of the Board and the Company's future development plans and goals. The table below sets out the details of attendance of each member at meetings of the Strategy Committee held during the Reporting Period:

Name	Meetings attended/ Meetings held
Mr. Hou Yongtai	1/1
Mr. Wu Jianying	1/1
Mr. Huang Ming	1/1
Ms. You Jie	1/1
Mr. Chen Huabin(1)	1/1
Mr. Yang Yushe(2)	0/0

Notes:

(1) Mr. Chen Huabin has no longer serviced as Directors as well as his related position of the Strategy Committee since 29 June 2020.

(2) Mr. Yang Yushe has been appointed as the member of the Strategy Committee on 29 June 2020.

SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory agency of the Company which is responsible for the supervision of the Board and its members and senior management such as the general manager and deputy general manager so as to prevent them from the misuse of authority and infringement of lawful rights of the Shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in comply with the provisions and requirements of the laws, regulations and the Articles of Association. During the Reporting Period, the Supervisory Committee was comprised of five Supervisors, of whom two were employee representative Supervisors democratically elected by our employees. The background and biographical details of the Supervisors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report.

During the Reporting Period, the Supervisory Committee held seven meetings and has mainly reviewed the audited financial statements and annual report for the year ended 31 December 2019, reviewed the unaudited financial statements and interim report for the six months ended 30 June 2020, reviewed financial statements for the first quarter and the third quarter of 2020, and supervised the use of share proceeds from the issue of the A Shares.

AUDITORS AND THEIR REMUNERATIONS

At the 2019 annual general meeting convened on 29 June 2020, the Company approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the Company's domestic and international auditors for 2020, respectively, and authorized the Board to fix their respective remunerations; approved the appointment of Ernst & Young Hua Ming LLP as the internal control auditor for 2020 to conduct annual audit on the Company's internal control and issue internal control audit report, and authorized the Board to fix its remuneration.

The fee in respect of the annual consolidated financial statement audit service provided by Ernst & Young Hua Ming LLP and Ernst & Young to the Company for the Reporting Period was RMB1,980,000 (excluding tax), the fee in respect of audit service for internal control provided by Ernst & Young Hua Ming LLP was RMB500,000 (excluding tax). In addition to the foregoing fees, the Company paid no other fees to external auditors during the Reporting Period.

In respect of the matters relating to the selection, appointment, resignation or dismissal of the external auditors, the Board concurs with the view of the Audit Committee.

RESPONSIBILITY OF THE DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors has acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2020 which give a true and fair view of the state of affairs of the Group as at 31 December 2020 as well as its profit and cash flows during the Reporting period. The accounts of the Company were prepared in accordance with all relevant regulations and applicable accounting principles. In preparing these consolidated financial statements, the Directors selected and applied suitable accounting policies and made accounting estimates that are reasonable in the circumstances. Moreover, the consolidated financial statement has been prepared assuming that the Company will continue as a going concern. The Directors are responsible for keeping proper financial records which disclose with reasonable accuracy the financial position of the Group at any time. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment on the Group's financial information and status, which are submitted to the Board for approval.

Ernst & Young, the auditors of the Company, have set out their responsibility in the independent auditors' report as set out on pages 78 to 83.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors of the Company. Having made specific enquiries of all Directors and Supervisors, all of them confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

INTERNAL CONTROL, AUDIT AND RISK MANAGEMENT

The Board acknowledges its responsibility for the risk management and internal control systems of the Group as well as their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. The Directors of the Company are responsible for regularly reviewing the internal control and risk management system of the Group to ensure its effectiveness and efficiency. The risk management and internal control work of the Group involves joint work of the Board, the Audit Committee, the audit department and management. The Board is responsible for maintaining a sound and effective risk management and internal control system, and assessing the effectiveness of the said system annually through the Audit Committee, which shall cover all significant monitoring including finance, operation and compliance monitoring as well as risk management function. The Audit Committee is responsible for assisting the Board in monitoring the Group's risk management and internal control system, and review and discussion with the management annually to ensure the discharging of duties by the management so as to maintain the effectiveness of the said system, and is responsible for considering the important survey results in relation to risk management and internal control and making recommendations to the Board. The audit department, the executive body for the work of the Audit Committee, is responsible for facilitating the effective operation and management of the Company and providing support to the Board and the Audit Committee in discharging their duties. The management is responsible for designing, implementing and monitoring the Group's risk management and internal control system, and reporting to the Board and the Audit Committee the effectiveness of the said system.

During the Reporting Period, under the leadership of the Audit Committee, the audit department carried out internal control self-evaluation, and evaluated the implementation of internal control in aspects of corporate governance, risk management, social responsibility, human resources management, communication of internal information, research and development, procurement, sales, assets management, financial management, engineering management, etc. On 26 March 2021, the Audit Committee and the Board reviewed and approved the Company's 2020 internal control self-evaluation report, concluding the risk management and internal control system of the Company were adequate and effective, but only made reasonable but not absolute assurance against material misstatements or losses. The Board has considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financing reporting departments and their training programs and budgets.

The Company has formulated "Rules for Management of Information Disclosure" and "Rules for Management of The Insider" to regulate inside information management. The Board leads the information disclose affairs, in particular, the secretary of the Board takes charge of organizing and implementing information disclosure affairs. The secretary of the Board shall report to the Board immediately upon receiving inside information, and the Board shall decide whether to release the information or not. During the Reporting Period, the Company trained the management staff of the Company and its important subsidiaries on the communication and confidentiality of internal information.

SIGNIFICANT RISKS

The Group's financial position, operating results and business prospect may be directly or indirectly affected by a series of risks and uncertainties relating to the businesses of the Group. During the Reporting Period, there was no change in the nature and extent of major risks faced by the Group. The potential risks taken by the Group are set out below:

I. Core competitiveness Risk

The technological advancement of products is the basis for forming the Group's core competitiveness. However, in recent years, the field of biomedical materials has developed rapidly, and technical capabilities have been continuously upgraded. If breakthrough new technologies or products appear internationally or domestically in the indication area of the Group's products in the future, and the Group's failure to adjust the technical route in a timely manner may cause the Group's technological level to lag behind, which will adversely affect the competitiveness of the product market influences.

In order to maintain and strengthen its core competitiveness, the Group continued to focus on the four major technology R&D platforms of IOL and optical materials technology platform, medical chitosan, medical sodium hyaluronate/sodium hyaluronate, and rhEGF technology, to develop new products in related fields. However, the R&D of biomedical materials has the characteristics of long cycle, high technical difficulty, large capital investment, high added value and return, and long product market life cycle. If the R&D project fails to make R&D results, or the market acceptance of the new product developed does not meet expectations, it will adversely affect the long-term core competitiveness of the Group and create uncertainty on the Group's profitability and operating results.

II. Operating Risk

In recent years, adverse reactions caused by the safety of pharmaceutical products have received close attention from the whole society. If the Group fails to strictly abide by the production safety system, which may lead to quality problems or adverse reactions of the Group's products, it will cause the Group to face the risks of compensation, product recall and social responsibility, as well as administrative penalties, which will adversely affect the Group's operating performance and reputation.

At present, the Group's main business areas are characterized by good market prospects and high gross profit levels. However, this will also attract new capital into these areas, which will intensify market competition in the medium and long term. The Group's market share and gross profit margin are affected by the intensified market competition, which in turn affects profitability.

In order to complete the industrial chain layout of the Group, the Group has conducted a number of upstream and downstream industry mergers and acquisitions around its main business, forming a certain scale of goodwill. If the integration effect of the company or business acquired in the future fails to meet expectations, adverse changes in operating conditions may cause the Group to make provision for impairment of the goodwill generated by the investment and adversely affect the Group's performance.

III. Industry Risk

At present, the reform of China's medical and health system is gradually deepening, involving the approval, registration, manufacturing, packaging, licensing, and sales of medicine and medical devices. Major industry policies such as the basic list of medicines, list of medicines, the "Two-Invoice System", and large-scale procurement have been introduced. If the Group fails to make timely adjustments in accordance with the ongoing regulatory policies of the pharmaceutical industry, it may lead to increased compliance costs and reduced product demand of the Group, which will adversely affect the Group's financial position and operating performance.

IV. Macro Environmental Risk

The growth of the Group's performance has benefited in part from the improvement of Chinese residents' payment ability and health awareness, which in turn is reflected in the continued growth of China's biopharmaceutical industry. If the overall growth rate of the biopharmaceutical industry slows down in the future, or if public events that are adverse to the quality of the biopharmaceutical industry or related to public safety affect the overall image of the industry, it may cause the market demand for the Group's products to slow down, thereby adversely affecting the financial position and operating performance of the Group.

Internationalization is one of the key strategies for the development of the Group. The Group has acquired a number of companies overseas to promote the transfer of advanced technologies and products to China. If the overseas business conditions are affected by major changes in the laws and regulations, industrial policies or political and economic environment of the country and region where the overseas business is located, or unforeseen factors such as tension in international relations, war, trade sanctions or other force majeure, the normal development and sustainable development of the Group's overseas business may potentially be adversely affected.

ARTICLES OF ASSOCIATION

In accordance with the Securities Law of the PRC, the Reply of the State Council on Adjustments of the Provisions Applicable to the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Companies Listed Aboard (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) (國函[2019]97號) and the relevant laws, administrative regulations and listing rules of the places where the Company is listed, the Company resolved to amend the Articles of Association and the Rules of Procedure of the General Meeting in relation to the requirements on registration of change of register of shareholders, notice period and procedures for convening general meetings and other relevant articles (collectively referred to as the "Proposed Amendments") pursuant to the special resolutions passed at the 2019 annual general meeting of the Company on 29 June 2020. For details of the above Proposed Amendments are set out in Appendix V and Appendix VI to the circular of the Company dated 28 May 2020.

Apart from the above, there is no significant change in the Articles of Association during the Reporting Period. The current valid Articles of Association is available on the websites of the Hong Kong Stock Exchange and the Company.

JOINT COMPANY SECRETARIES

Mr. Chiu Ming King, an executive director of corporate services of Vistra Corporate Services (HK) Limited (an external service provider), has been appointed as a joint company secretary of the Company, effective from 17 November 2014. Ms. Tian Min is another joint company secretary of the Company, who acts as the main contact person of Mr. Chiu Ming King and the internal departments of the Company.

In compliance with Rule 3.29 of the Hong Kong Listing Rules, Ms. Tian Min and Mr. Chiu Ming King both undertook not less than 15 hours of relevant professional training to improve their skills and knowledge during the year ended 31 December 2020.

SHAREHOLDERS' RIGHTS

I. Procedures for Shareholders to Convene an Extraordinary General Meeting

Shareholders who individually or in aggregate hold more than 10% of the shares carrying the right to vote at the meeting sought to be held requesting the convening of an extraordinary general meeting or a meeting of shareholders of different classes shall proceed in accordance with the procedures set forth below:

1. Two or more shareholders holding a total of more than 10% of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The Board shall make a written response as to whether or not it agrees to hold the extraordinary general meeting or the class meeting within ten (10) days after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the date on which the written request is made by shareholder(s).

2. If the Board agrees to convene the extraordinary general meeting or the class meeting, it shall issue the notice of the extraordinary general meeting or the class meeting in 5 days after making the resolution of the Board. If there is any change to the original proposal in the notice, it shall be approved by the original proposer.

3. If the Board disapproves the proposal to convene the extraordinary general meeting or the class meeting, or fails to provide a response in 10 days after receiving the request, shareholders shall be entitled to propose to the Supervisory Committee in writing for the purpose of convening the extraordinary general meeting or the class meeting.

4. If the Supervisory Committee approves the convening of the extraordinary general meeting or the class meeting, it shall issue a notice thereof within 5 days of receipt of said request, provided that any changes made in such notice to the original proposal shall be subject to prior consent from the original proposer.

5. If no notice is issued by the Supervisory Committee of the extraordinary general meeting or the class meeting within the stipulated period, the Supervisory Committee shall be deemed to have failed to convene and chair the general meeting, in which case the shareholder(s) individually or jointly holding more than 10% of the Company's shares for consecutive 90 days may convene and chair such meeting on their own. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which general meetings are to be convened by the Board. The shareholding proportion of the convening shareholders before the announcement of the resolutions passed at the shareholders' general meeting shall not be under 10%. The convening shareholders shall submit the relevant evidentiary materials to the dispatched office of the securities regulatory authorities of the PRC and the stock exchange(s) when the convening shareholders issue the notice of shareholders' general meeting and the announcement of the resolutions passed at the shareholders' general meeting.

II. Procedures for Directing Shareholders' Enquiries to the Board

According to the Articles of Association, in the case that a shareholder proposes to access or obtain relevant information provided for in the Articles of Association of the Company, the Company shall provide relevant information according to the request after the Company checks and confirms the identity of the shareholder and the shareholder pays for the cost and expenses incurred.

The Company has disclosed its address, hotline for investor relationship, fax and email in the Company website and the periodical reports, and arranges manpower specially for taking calls from investors, handling investors' emails, and timely reporting to the Company's management.

III. Procedures to Propose Motions at General Meetings

According to the provisions of the Articles of Association, whenever the Company convenes a general meeting, the Board, the Supervisory Committee and shareholder(s) individually or together holding more than 3% of the Company's shares shall have the right to propose motions in writing to the Company. The Company shall include such proposed motions in the agenda of such meeting if they are matters falling within the functions and powers of general meetings.

Shareholder(s) individually or together holding more than 3% of the Company's shares shall have the right to propose an extempore motion ten (10) days prior to the general meeting by submitting the same to the convener in writing. The convener shall serve a supplemental notice of general meeting to other shareholders within two (2) days upon receipt of the proposed motion, and shall include such proposed motions in the agenda of such general meeting if they are matters falling within the functions and powers of general meetings and submit to the general meeting for consideration. Where required otherwise by the listing rules of the stock exchange where the Company's shares are listed, such requirements shall be satisfied. Shareholders shall propose motions which meet the following requirements:

(1) the content does not infringe the law, regulations and falls within the scope of the Company's business and the functions and powers of general meetings;

(2) with definite issues to discuss and specific matters to resolve; and

(3) is made in writing submitted or delivered to the Board.

For matters in relation to nominating a person for election as a Director, please refer to the relevant procedures published on the Company's website.

IV. General Meetings

For the year ended 31 December 2020, six general meetings of the Company were held. Details are as follows:

Date	Venue	Meeting
14 February 2020	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2020 First Extraordinary General Meeting
14 February 2020	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2020 First A Shareholders' Class Meeting
14 February 2020	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2020 First H Shareholders' Class Meeting
29 June 2020	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2019 Annual General Meeting
29 June 2020	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2020 Second A Shareholders' Class Meeting
29 June 2020	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2020 Second H Shareholders' Class Meeting

Statistics on Directors' attendance at meetings:

Name	Meetings attended/ Meetings held
Mr. Hou Yongtai	6/6
Mr. Wu Jianying	6/6
Ms. Chen Yiyi	6/6
Mr. Tang Minjie	6/6
Ms. You Jie	6/6
Mr. Huang Ming	6/6
Mr. Chen Huabin(1)	6/6
Mr. Shen Hongbo(1)	6/6
Mr. Zhu Qin(1)	6/6
Mr. Wong Kwan Kit(1)	6/6
Ms. Li Yingqi(2)	0/0
Mr. Jiang Zhihong(2)	0/0
Mr. Su Zhi(2)	0/0
Mr. Yang Yushe(2)	0/0
Mr. Zhao Lei(2)	0/0

Notes:

(1) Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit have no longer serviced as Directors as well as their respective related positions in the committees of the Board since 29 June 2020.

(2) Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei have been appointed as Independent Non-executive Directors from 29 June 2020 to the expiration of the term of the Fourth Session of the Board.

V. Communications with Shareholders and Investor Relations

The Company attaches great importance to maintaining and developing investor relations and considers it crucial to provide investors with accurate information in a timely manner and maintains communication with investors through effective communication channels with an aim to enhance mutual understanding between investors and the Company and to improve the transparency of the Company's information disclosure.

The Company publishes its announcements, financial information and other relevant information on the website at www.3healthcare.com, as a channel to facilitate effective communication. At the same time, the Company communicates and exchanges with investors through road shows, visiting receptions, investor relations hotlines, dedicated mailboxes, and the "SSE E-networking(上證e互動)" platform, and strengthens communication with investors and analysts to effectively protect the legitimate rights and interests of investors, especially small and medium investors.

The Board welcomes shareholders' views and encourages them to attend general meetings to convey any concerns they might have to the Board or the management. Chairman of the Board and the chairmen of all committees (or their proxy) will attend the annual general meeting and other general meetings. At the general meeting, all shareholders attending the meeting may make enquires to the Directors and other management in respect of matters relevant to the resolutions. The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the shareholders and annual reports for shareholders to express their views or make enquiries.

OUTLINE OF 2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

Environmental Policies and Performance

The Group attaches great importance to pollutant discharge and waste management, and strictly abides by relevant laws and regulations to ensure that the three kinds of wastes generated during our production and operation meet environmental protection standards, thus striving to control and reduce the generation of pollutants from their sources. Based on our own production and operation activities, the Company and its subsidiaries have one or several kinds of pollutants to discharge, including wastewater, waste gas, solid waste, and noise. Among them, wastewater is mainly classified into production wastewater and domestic wastewater. Wastewater is collected by the sewage treatment facilities in our factory for biochemical treatment, and then discharged into the municipal pipe network after it meets the discharge standards. Waste gas is mainly classified into the waste gas from boilers, from production facilities and from laboratories. The Group builds air pollution treatment facilities in accordance with the requirements of environmental assessments. After waste gas is collected and treated to meet relevant standards, the Group organizes gas emissions at high altitude. In the meantime, the Group actively carries out renovations for low-NOx burners in boilers. For hazardous wastes, the Group entrusts qualified third-party entities to treat the wastes. For noise, the Group adopts measures such as export noise reduction, basic vibration isolation and architecture noise isolation to reduce noise.

During the Reporting Period, the Company and its subsidiaries were not subject to any major penalties from relevant authorities due to environmental protection issues, and our environmental protection operations are in good condition.

Relations with Important Stakeholders

During the Reporting Period, in accordance with the requirements of the Hong Kong Listing Rules, the Sci-tech Innovation Board listing rules and other relevant laws and regulations, the Company continued to improve various management systems, strengthen the construction of internal control systems, improve corporate governance standards, and earnestly perform information disclosure obligations to better safeguard the interests of shareholders.

The Group integrates its human resource management with corporate strategies. During the Reporting Period, the Group provided employees with diversified trainings in different forms and contents, and formulated a relatively comprehensive training management system. The Group attaches great importance to occupational health and safety, and takes the requirements of the occupational health and safety management system as the guidance to implement strict monitoring and management on our workplaces. In addition, the Group carries out regular safety inspections, formulates comprehensive emergency response plans and takes other measures to ensure the realization our safe production goals. Taking into consideration of employees' job positions, abilities, and performances, the Group supports a competitive salary level in the industry to protect the interests of employees.

During the Reporting Period, the Group established a quality management system covering the entire life cycle from design and development, production, storage to sales and after-sales services of our products in accordance with the requirements of the GMP, ISO9001 quality control system standards, and ISO13485 medical device quality control system. The Group has formulated rules and regulations to prohibit employees from engaging in commercial bribery and fraud, thereby creating an open, fair and justified market environment for suppliers during our procurement process. The Group regularly provides customers with the latest product information and regularly conducts trainings on product and related knowledge for customers. In each year, the Company carries out customer satisfaction surveys on our products and services to understand customers' opinions and suggestions. The Group attaches great importance to the supervision and management on adverse reactions and adverse events. We have developed a set of detailed product recall procedures in accordance with the requirements of relevant laws and regulations on recalls of pharmaceutical products and medical devices, to ensure that the Group's products can be recalled promptly and accurately, so as to effectively protect the interests and health of our consumers and consumers.

During the Reporting Period, the Group is committed to promoting the development of the industry. The Company and its domestic subsidiaries have proactively joined local industry associations, and have been appointed by some associations as deputy director or vice chairman. We actively contribute our efforts to the development of the industry, and highly value exchanges and interactions with peers in the industry. We have organized and attended numerous professional seminars and participated in the formulation of industry standards, which enabled us to gain insights into the latest market trends and share our own experiences.

Compliance with the Relevant Laws and Regulations

During the Reporting Period, the Group has formulated policies to ensure that the Group's operations comply with laws and regulations related to labor welfare, safety and health, and the environment. During the Reporting Period, the Group did not have any serious violations of laws and regulations that have a significant impact on the Group.

For more information about the ESG performance of the Group during the Reporting Period, please refer to the ESG report separately published by the Company, which will be available for viewing or downloading at the website of the Hong Kong Stock Exchange headlined "Financial Statement/Environmental, Social and Governance information" and the website of the Company.

EXECUTIVE DIRECTORS

Dr. Hou Yongtai (侯永泰), aged 59, is the chairman and executive Director of the Company. Dr. Hou engaged in postdoctoral research at the pharmacology department of University of Pennsylvania in the U.S. from July 1992 to October 1995. Thereafter, he served as a research investigator at the department of cell and developmental biology of the University of Michigan in the U.S. from 1998 to 2000. From August 2000 to August 2003, he served as a researcher and doctoral degree supervisor at Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所), where he was mainly responsible for establishing screening models for cancer drugs and the application of new biotechnologies (such as RNA interference) on new drugs development. He also served as the overseas manager of the strategy and investment committee at Shanghai Pharmaceutical (Group) Co., Ltd, a company principally engaged in investments, research in pharmaceutical products, medical devices, as well as manufacturing and sale of medical devices from July 2003 to June 2004 and was mainly responsible for assisting its formulation of overseas strategies and implementing its external relations and coordination. During July 2000 to June 2004 and April 2005 to March 2008 at Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司), he served various positions such as the deputy general manager and the director of the research and development division. He was mainly responsible for formulating product development strategies, establishing its development team and development base as well as implementing its product research and development plans. He has also served as the chairman of Shanghai Qisheng from December 2007 to August 2010. He served as the chairman of Haohai Limited, the predecessor of the Company, from September 2009 to the date of conversion of the Company in July 2010. He has been appointed as the chairman and Director of the Company since July 2010, and was redesignated as an executive Director on 7 December 2014. Dr. Hou obtained a master's degree and a Ph.D. degree from Ohio University in the U.S. in March 1987 and August 1992, respectively.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wu Jianying (吳劍英), aged 57, is an executive Director and general manager of the Company. Mr. Wu worked as a surgeon at the General Surgery Department of the Second Affiliated Hospital of the Second Military Medical University (第二軍醫大學第二附屬醫院普外科) from 1991 to 1999. He thereafter worked at Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司) ("Shanghai Huayuan") from March 2003 to February 2004, at the Shanghai branch of China Huayuan Life Industry Limited (中國華源生命產業有限公司上海分公司) from February 2004 to May 2005 and at Cinkate Pharmaceutical and Chemical Intermediates (Shanghai) Company Limited (欣凱醫藥化工中間體(上海)有限公司), a company principally engaged in development and production of pharmaceutical and chemical intermediates, as well as selling its own products and providing relevant technical advisory services from May 2005 to July 2007. He served as the general manager at Haohai Limited from July 2007 to June 2010. He has been acting as the general manager at Shanghai Qisheng since August 2010, and the general manager and executive director at Shanghai Likangrui since December 2010. He served as the director of Haohai Holdings since July 2015, the vice chairman of Henan Universe since August 2015 and then the executive director, the executive director of Haohai Development since February 2016, the director of Haohai Healthcare Holdings (Cayman) Co., Ltd., an indirectly wholly-owned subsidiary of our Company since May 2016, the director of Haohai Healthcare Holdings (BVI) Co., Ltd., an indirectly wholly-owned subsidiary of our Company since August 2016, the Chairman of NIMO since November 2016 and the executive director of Zhuhai Eyegood in December 2016, and the director of Contamac Holdings Limited, a subsidiary of our Company since June 2017, and the director of Haohai Aesthetic Holdings (BVI) Co., Ltd., an indirectly wholly-owned subsidiary of our Company since November 2017. He also served as a director of Shanghai Pacific Biological Technology Co., Ltd. (上海太平洋生物高科技有限公司), a subsidiary of the Company since May 2018 and served as a director of Shanghai Pacific Pharmaceutical Co., Ltd. (上海太平洋藥業有限公司), a subsidiary of the Company since May 2018, and a chairman of Hangzhou Aijinglun, a subsidiary of the Company since April 2020. He also served as the director of International Optical Innovation Holdings Co., Limited, an indirectly wholly-owned subsidiary of the Company since November 2020, and the director of Art Vision Technology Co., Limited, an indirectly non-wholly-owned subsidiary of the Company since January 2021. He has been appointed as the Director and general manager since July 2010, and was redesignated as an executive Director on 7 December 2014. Mr. Wu obtained a master's degree in clinical medicine from the Second Military Medical University in June 1997 and the practicing doctor qualification in the PRC in May 1999.

Ms. Chen Yiyi (陳奕奕), aged 39, is an executive Director of the Company. Ms. Chen joined the marketing department of Haohai Chemical, a company principally engaged in the production and sale of polyurethane composite duct in July 2006 and worked as the marketing manager and assistant to general manager from January 2007 to December 2009, the supervisor of Henan Universe since November 2016, the director of NIMO since November 2016 and the supervisor of Zhuhai Eyegood since December 2016. She has also served as an executive director of Qingdao Huayuan since April 2018, a director of Henan Saimeishi Biotech Co., Ltd (河南賽美視生物科技有限公司), a subsidiary of the Company since February 2019, and a director of Hangzhou Aijinglun, a subsidiary of the Company since April 2020. She also served as the director of Art Vision Technology Co., Limited, an indirectly non wholly-owned subsidiary of the Company since January 2021. She has been appointed as the Director since July 2010, and was redesignated as an executive Director on 7 December 2014. Ms. Chen obtained a bachelor of arts in June 2004 and a Master of arts in June 2006 from Huazhong University of Science and Technology.

Mr. Tang Minjie (唐敏捷), aged 45, is an executive Director of the Company joined the Company in August 2016 as an employee, and became a director of NIMO since November 2016, was appointed as the chief financial officer of the Company on 9 December 2016 and as an executive Director on 14 February 2017, and serves as the director of Contamac Holdings Limited, a subsidiary of the Company since June 2017. Prior to joining the Company, he worked at Ernst & Young during the period from August 1998 to July 2016 and most recently served as an audit partner from July 2010 to July 2016. Mr. Tang obtained a bachelor degree in economics from the former international business school of the University of Shanghai in July 1998, and was qualified as a certified public accountant ("CPA") in the PRC in June 2000 and CPA in the United States in June 2006.

NON-EXECUTIVE DIRECTORS

Ms. You Jie (游捷), aged 58, is a non-executive Director of the Company. Ms. You worked as a clinician at the Department of Oncology, Longhua Hospital, Shanghai University of Traditional Chinese Medicine (上海中醫藥大學附屬龍華醫院腫瘤科) from July 2004 to July 2014. She also worked as a clinician at the Department of Chinese Medicine, Shanghai Ninth People's Hospital, Shanghai Jiaotong University School of Medicine (上海交通大學醫學院附屬第九人民醫院中醫科) from August 2014 until present, and held a position as a director of Shanghai Haolan Corporate Management Co., Ltd (上海昊瀾企業管理有限公司). She has been appointed as a Director since July 2010, and was redesignated as a non-executive Director on 7 December 2014. Ms. You obtained a clinical doctorate degree from Shanghai University of Traditional Chinese Medicine (上海中醫藥大學) in July 2004 and the practicing doctor qualification in the PRC in May 1999. Ms. You is the spouse of Mr. Jiang Wei.

Mr. Huang Ming (黃明), aged 45, was re-designated from an executive Director of the Company to be a non-executive Director of the Company on 19 December 2019, and no longer serve as the Secretary of the Board. Since 1 January 2020, he ceased to be the joint company secretary of the Company. He worked as a manager in Haoyang Investments from September 2008 to June 2010, a director of Haohai Changxing Company Limited, a company principally engaged in the sale of agricultural byproducts since September 2010 and an executive director of Changxing Haoersi Biotechnology Company Limited (長興昊爾斯生物科技有限公司), a company principally engaged in the research and development of biological and plant products from May 2011 to December 2011. He has been serving as a supervisor of Shanghai Jianhua since November 2007, a supervisor of Shanghai Qisheng since December 2007, and a supervisor of Shanghai Likangrui since December 2010. He served as the director of Haohai Holdings since July 2015, the director of NIMO since December 2016 the director of Contamac Holdings Limited, a subsidiary of the Company since June 2017, and the director of China Ocean Group Limited, an indirectly wholly-owned subsidiary of the Company, since December 2017. He also served as a supervisor of Shanghai Qisheng Medical Technology Development Co., Ltd. (上海旗盛醫藥科技發展有限公司), a subsidiary of the Company since April 2018 and served as a supervisor of Shanghai Pacific Biological Technology Co., Ltd., a subsidiary of the Company since May 2018 and also served as a supervisor of Shanghai Pacific Pharmaceutical Co., Ltd., a subsidiary of the Company since May 2018. He has been appointed as the Director and Secretary of the Board since July 2010 and October 2010 respectively, and has been appointed as one of our joint company secretaries since 17 November 2014. He was redesignated as an executive Director on 7 December 2014. Mr. Huang, with former name Huang Ping (黃平), obtained a bachelor of laws in July 1998 and a master of laws in June 2005 from East China University of Political Science and Law (華東政法大學), and a doctoral degree in corporate management from Fudan University in June 2011. He obtained his lawyer qualification in May 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Yingqi (李穎琦), aged 44, was elected as an Independent Non-executive Director on 29 June 2020. She is currently a professor at Shanghai National Accounting Institute (上海國家會計學院) since March 2017, and the doctoral supervisor. Ms. Li has served successively as an assistant, the lecturer, the associate professor and the professor in Shanghai Lixin University of Commerce (上海立信會計學院) from July 1999 to February 2017. Ms. Li served as an independent director at Junhe Pumps Holding Co., Ltd. (君禾泵業股份有限公司), a company listed on the Shanghai Stock Exchange during the period from March 2017 to April 2018. Ms. Li has been serving as an independent director at Shenzhen Guangju Energy Co., Ltd. (深圳市廣聚能源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000096) since April 2018. Ms. Li has been serving as an independent director at Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a company applying for a listing on the Shanghai Stock Exchange since December 2018. Ms. Li has been serving as an independent director at Shanghai International Airport Co., Ltd. (上海國際機場股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600009) since June 2019. Ms. Li obtained a Ph.D. majoring in management from Fudan University in July 2009 and has been a senior member (non-practicing) of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since March 2015.

Mr. Jiang Zhihong (姜志宏), aged 52, was elected as an Independent Non-executive Director on 29 June 2020. He is currently the vice president and the chair professor of Macau University of Science and Technology. Mr. Jiang conducted post-doctor research work in the Department of Biochemistry and Molecular Pharmacology of Harvard Medical School in the United States during the period from November 1999 to September 2001. Mr. Jiang has served successively as an assistant professor, associate professor and professor at the School of Chinese Medicine in Hong Kong Baptist University during the period from October 2001 to June 2011. Mr. Jiang graduated from Nagasaki University in Japan with a doctor degree in pharmacy in 1998.

Mr. Su Zhi (蘇治), aged 43, was elected as an Independent Non-executive Director on 29 June 2020. He has worked at the Central University of Finance and Economics ("CUFE") (中央財經大學) since June 2009, is currently serving as professor and doctoral supervisor at the CUFE, and the chair professor and the head of the Department of Financial Technology of the School of Finance of CUFE. Mr. Su has been the deputy director of the academic committee of the Institute of International Technology and Economy under the Development Research Center of the State Council (國務院發展研究中心國際技術經濟研究所) since July 2018. Mr. Su has also worked as executive deputy director of CUFE & University of Electronic Science and Technology of China Joint Research Data Center (電子科技大學聯合數據研究中心) since March 2018. He has been an external supervisor of Bank of Guizhou Company Limited (貴州銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 6199) since May 2018, and has been an independent director of Changzhou Kaneken Steel Section Co., Ltd. (常州鋼勁型鋼股份有限公司), a company listed on listed on National Equities Exchange and Quotations (stock code: 872632), since September 2020. Mr. Su obtained a doctor's degree in economics majoring in quantitative economics from Jilin University in June 2006. He engaged in the finance research at the post-doctoral study station of the School of Economics and Management of Tsinghua University from April 2007 to May 2009.

Mr. Yang Yushe (楊玉社), aged 57, was elected as an Independent Non-executive Director on 29 June 2020. He has been working at the Shanghai Institute of Materia Medica, Chinese Academy of Sciences ("SIMM") (中國科學研究院上海藥物研究所) since 1998, and is currently the doctoral tutor and second-level researcher of SIMM. His main research areas include original anti-infective drugs, anticoagulant drugs, and central nervous system drug research and development. His representative achievement is the successful development of China's first new fluoroquinolone drug with independent intellectual property rights – Antofloxacin Hydrochloride in 2009. Mr. Yang won the second prize of the National Technology Invention Award (Rank first) in 2017, the first prize of the Shanghai Technical Invention Award (Rank first) in 2015, the Outstanding Achievement Award of Chinese Pharmaceutical Development for Innovative Medicine Award in 2013, and the title of Shanghai Advanced Worker in 2010 (Model Worker). Mr. Yang obtained a doctor degree in pharmacy from SIMM in 1996.

Mr. Zhao Lei (趙磊), aged 47, was elected as an Independent Non-executive Director on 29 June 2020. He is currently an associate director and researcher at the Commercial Law Office in the Institute of Law of the Chinese Academy of Social Sciences. Mr. Zhao has served successively as an assistant and adjunct professor in Southwest University of Political Science and Law from 2005 to February 2013, and has served as an associate researcher at the Social Sciences in China Press of the Chinese Academy of Social Sciences from March 2013 to November 2016. Mr. Zhao has worked at the Institute of Law of the Chinese Academy of Social Sciences since December 2016. He has been serving as an independent director of Haohan Data Technology Co., Ltd. (北京浩瀚深度信息技術股份有限公司), a company listed on National Equities Exchange and Quotations (stock code: 833175), since October 2016. He has been serving as an independent director of Nanning Department Store Co. Ltd.* (南寧百貨大樓股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600712), since April 2018. Mr. Zhao obtained a doctor degree of Civil and Commercial Law from Southwest University of Political Science and Law in July 2007.

Mr. Chen Huabin (陳華彬), aged 53, has no longer serviced as Independent Non-executive Director since 29 June 2020. He has been working as a researcher and professor of the School of Law, the Central University of Finance and Economics (中央財經大學法學院) from September 2008 until present. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive director on 7 December 2014. Mr. Chen obtained a master's degree in law from the Southwest University of Political Science and Law (西南政法大學) in March 1991 and a doctor's degree in law from the graduate school, the Chinese Academy of Social Sciences in June 1994.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Shen Hongbo (沈紅波), aged 41, has no longer serviced as Independent Non-executive Director since 29 June 2020. He engaged in post-doctoral research at the Department of Finance of Tsinghua University from March 2007 to March 2009 and worked as a visiting scholar at Harvard Business School from January 2009 to February 2009. He also acted as an independent director of China Executive Education Corp., a company formerly trading on the Over-the- Counter Bulletin Board in the U.S., from October 2010 to December 2012. He has been serving as a supervisor in Hygea Medical Technology Co., Ltd (海杰亞(北京)醫療器械有限公司) from January 2011 to November 2019. He served as an independent director in Zhejiang Xinguang Pharmaceutical Co., Ltd (浙江新光藥業股份有限公司) from September 2012 until August 2018, an investment consultant in China Science & Merchants Capital Management Limited (中科招商集團投資管理集團有限公司) from July 2013 to June 2014 during which he was responsible for execution of its district network, setting up of funds and making referrals of equity investment projects. He has been serving as an independent director of Ashtronic Technology (Shanghai) Co., Ltd (亞士創能科技(上海)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603378), since December 2013. He has served as an independent director at InfoTM Micro-Electronics Co., Ltd (盈方微電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000670), from November 2014 until August 2016. He served as an independent director of Zhejiang Chenguang Cable Co., Ltd. (浙江晨光電纜股份有限公司) from March 2016 to March 2019. He has also been serving as an independent director of Yalong Intelligent Equipment Group Co., Ltd. (亞龍智能裝備集團股份有限公司) since December 2015 and as an independent director of STO Express Co., Ltd. (申通快遞股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002468), since December 2016. He is currently an associate professor at the Institute of Finance, School of Economics, Fudan University. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive director on 7 December 2014. Mr. Shen obtained a doctor's degree in accounting from Shanghai University of Finance and Economics in January 2007 and he has been a member of the Association of Chartered Certified Accountants (ACCA) since January 2015.

Mr. Zhu Qin (朱勤), aged 57, has no longer serviced as Independent Non-executive Director since 29 June 2020. During his time working at Shanghai Huatuo Pharmaceutical Technology Development Company Limited (上海華拓醫藥科技發展股份有限公司), he served as a deputy general manager from 2000 to 2003, the general manager and director from 2003 to 2010 and the chairman of its science and technology committee of the board, chief scientist and director from 2011 to 2014. He has been a deputy general manager in Shanghai Liuhe Capital (上海六禾投資) from March 2014 until June 2015, where he is mainly responsible for the area of pharmaceutical and healthcare. He has been serving as an executive director of Shanghai Chengyan Pharmaceutical Technology Development Co., Ltd. (上海晟燕醫藥科技發展有限公司) since July 2016, as a supervisor of Shanghai Kaoen Optoelectronics Technology Co., Ltd. (上海考恩光電科技有限公司) since July 2016 and as the general manager of Shanghai First Corporate Governance Consulting Co., Ltd. (上海複石商務諮詢有限公司) since March 2017. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive Director on 7 December 2014. He obtained a bachelor's degree in medicine from the Second Military Medical University in July 1984 and a master's degree in medicine in December 1990. Thereafter, he obtained a doctor of science degree from Chinese Academy of Sciences in October 2000.

Mr. Wong Kwan Kit (王君傑), aged 51, has no longer serviced as Independent Non-executive Director since 29 June 2020. He has served as the chief agency officer of FWD Life Insurance Company (Bermuda) Limited Since May 2018. He joined Prudential Hong Kong Limited as an insurance agent in July 1991 and served as a regional director since May 2006 until April 2018. He was elected as the president of the General Agents and Managers Association of Hong Kong from 2003 to 2004 and the president of the Life Underwriters Association of Hong Kong in 2013. He has been a member of the insurance agents registration board of the Hong Kong Federation of Insurers since 2010 until April 2018 and a member of the Mandatory Provident Fund Schemes Appeal Board from 2012 to 2018. He has been appointed as our independent non-executive Director since April 2015. Mr. Wong obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in December 1991 and a master's degree in business administration from Macau University of Science and Technology in August 2010.

SUPERVISORS

Mr. Liu Yuanzhong (劉遠中), aged 52, is the chairman of the Supervisory Committee of the Company and a shareholder Supervisor. Mr. Liu joined Liming Research Institute of Chemical Industry (黎明化工研究院) in 1992 and served as an engineer from November 1997 to October 2001. He has been working as an engineer and was responsible for research and development of insulation and car high polymer material at Haohai Chemical from December 2001 until now. He has also been a supervisor of (寧波朗格昊海新材料有限公司) since September 2013. He has been appointed as our Supervisor since July 2010. Mr. Liu obtained a bachelor's degree in industrial analysis from the Department of Applied Chemistry of Beijing Institute of Chemical Technology (北京化工學院) in July 1992 and a master's degree in engineering from East China University of Science and Technology (華東理工大學) in June 2009.

Ms. Yang Qing (楊青), aged 49, is an independent Supervisor of the Company. Ms. Yang engaged in post-doctoral research at the Department of Economics of the University of Vienna in Austria from March 2005 to August 2005 and acted as a visiting scholar at the School of Economics, University of Cambridge in England from September 2006 to September 2007, and participated in the Freeman Fellows Program of the University of Illinois at Urbana-Champaign in the U.S. from August 2011 to May 2012. She has joined Fudan University since July 2001 and was responsible for research and teaching work, and she is currently a professor in the School of Economics. She has been appointed as the Supervisor since October 2014. Ms. Yang obtained a bachelor's degree in management information system from Kunming University of Science and Technology (昆明理工大學) in July 1995 and a doctor's degree in management from Fudan University in July 2001.

Mr. Tang Yuejun (唐躍軍), aged 42, is an independent Supervisor of the Company. He has been an associate professor at the School of Management, Fudan University from September 2011 until present. He has also been acting as a master's degree supervisor of MBA and EMBA from January 2011 until present, a master's degree supervisor of corporate management from September 2012 until present. He acted as a visiting scholar at the Arizona State University WP Carey School of Business in US from August 2017 to July 2018. He has been appointed as our Supervisor since October 2014. Mr. Tang obtained a bachelor's degree in economics from Nankai University (南開大學) in June 2001, and a doctor's degree in management from the School of Business of Nankai University in June 2006.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wei Changzheng (魏長征), aged 41, is the employee representative Supervisor of the Company. Mr. Wei has been acting as the deputy manager of the research and development department at Haohai Limited, the predecessor of the Company, since October 2009, and he has continued to serve this position after the conversion of Haohai Limited into the Company. He has been working as the manager at the department of research and development in Shanghai Qisheng from October 2009 until April 2016, and a director in the department of research and development since April 2016 to present. He has been appointed as the Supervisor since July 2010. Mr. Wei obtained a doctor of science from Ocean University of China (中國海洋大學) in June 2007. He has also served as a director of Shanghai Qisheng Medical Technology Development Co., Ltd., a subsidiary of the Company, since April 2018.

Mr. Yang Linfeng (楊林鋒), aged 39, is an employee representative Supervisor of the Company. He has been an associate of the chief human resource officer of the Company from July 2011 to November 2015, and he has been a Performance & Development manager of Human Resource since November 2015. He has been appointed as the Supervisor since September 2014. Mr. Yang obtained a doctor's degree in management at Fudan University in June 2011.

SENIOR MANAGEMENT (EXCEPT DIRECTORS AND SUPERVISORS)

Ms. Ren Caixia (任彩霞), aged 63, is the deputy general manager of the Company. She served various positions at Shanghai Huayuan from April 2002 to May 2007. She served as the deputy general manager of Haohai Limited from July 2007 to August 2010. She has acted as the general manager of Shanghai Jianhua since November 2007 and an executive director of Shanghai Lianhua from November 2010 to December 2018. She has been appointed as our deputy general manager since July 2010. Ms. Ren obtained a bachelor's degree in inorganic chemicals from the Department of Chemicals of Hefei University of Technology (合肥工業大學) in September 1982.

Mr. Wang Wenbin (王文斌), aged 54, is a deputy general manager of the Company. He has served as the executive deputy general manager in Shanghai Qisheng from May 1995 until present, and has been serving as the general manager of Qingdao Huayuan since April 2018. He served as the deputy general manager of the company from September 2014 to September 2017 and from March 2019 to present. Mr. Wang obtained a bachelor's degree in medicine from the Second Military Medical University in July 1991 and the practicing doctor qualification in the PRC in May 1999.

Mr. Zhang Jundong (張軍東), aged 47, is a deputy general manager of the Company. He engaged in postdoctoral research in clinical medicine at the Second Military Medical University from November 2006 to October 2010. Between June 2009 to December 2013, he served at the prescription medicine business division of Xinyi Institute of Materia Medica in Shanghai Pharmaceuticals (Group) Co. Ltd. (上海醫藥(集團)有限公司處方藥事業部信誼藥物研究所) as a director of the institute, and he served as the research and development director of Shanghai Xinyi Pharmaceutical Co., Ltd. (上海信誼藥廠有限公司). He served as the deputy general manager of the company from September 2014 to September 2017 and from March 2019 to present. Mr. Zhang obtained a bachelor's degree in pharmacy in July 1994 and a doctor's degree in medicine in June 2006 from the Second Military Medical University.

Ms. Tian Min (田敏), aged 31, is the Secretary of the Board and the joint company secretary of the Company. She joined the Group in July 2015, worked in the office of the Board of the Company, and was appointed as the Company's securities affairs representative in August 2019. Since 1 January 2020, she has served as the joint company secretary of the Company. She has obtained the "People's Republic of China Legal Professional Qualification Certificate" issued by the Ministry of Justice of the PRC in March 2014, and obtained the qualification certificate of the secretary of the board of directors of the Shanghai Stock Exchange in July 2019. Ms. Tian obtained a Master of Laws degree from East China University of Political Science and Law in July 2015.

JOINT COMPANY SECRETARIES

Ms. Tian Min (田敏), aged 31, has served as the joint company secretary of the Company since 1 January 2020 and is also the Secretary of the Board. For the resume of Ms. Tian, please refer to the "Senior Management" section above.

Mr. Chiu Ming King (趙明璟), aged 43, was appointed as a joint company secretary of the Company on 17 November 2014. He has joined Vistra Corporate Services (HK) Limited since June 2012 and currently serves as an executive director of corporate services of Vistra Corporate Services (HK) Limited, and prior to joining Vistra Corporate Services (HK) Limited, he was an associate director of corporate services of TMF Hong Kong Limited from October 2009 to May 2012. Mr. Chiu has over 14 years of experience in the company secretarial field. He is currently the company secretary of several companies listed on the Stock Exchange.

Mr. Chiu has been an associate member of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries ("**HKICS**") since 2003, and a fellow member of HKICS since September 2015. He is also a holder of the Practitioner's Endorsement Certificate issued by HKICS. He is currently a member of the Membership Committee and Professional Services Panel of HKICS. He has also been the HKICS' representative in the Young Coalition Professional Group of The Hong Kong Coalition of Professional Services since 2013.

Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Shanghai Haohai Biological Technology Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 84 to 184, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group recorded revenue from the sale of goods amounting to approximately RMB1,324 million in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. Revenue from contracts with customers is recognised when control of goods is transferred to the customers. We focused on this area because revenue recognition was assessed to have higher risks of material misstatement, including significant risks, due to the large transaction volume. The Group's specific disclosures about revenue recognition are included in note 2.4 "Summary of significant accounting policies" and note 5 "Revenue, other income and gains" to the financial statements.	Our audit procedures included, among others: – Discussed with management and obtained an understanding the revenue recognition policy, performed tests of controls on revenue recognition; – Performed tests of details of revenue records selected by the sampling method to check the occurrence and accuracy; – Obtained the sales contracts with customers, and reviewed key terms of revenue recognition and sales return; – Obtained revenue and trade receivables confirmations from main customers and reviewed the reconciliation of any material difference provided by management by checking related documents, and performed alternative procedures for the confirmations with no response; – Performed analytical procedure by comparing revenue to that of previous years for the same products; – Tested the recognition of revenue transactions close to the period end to assess whether they were recorded in the correct period.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the carrying value of goodwill and other intangible assets with indefinite useful lives	
Goodwill and other intangible assets with indefinite useful lives arising from business combination subject to impairment test amounted to RMB385 million and RMB104 million, respectively, as at 31 December 2020. The Group is required to perform the impairment test for goodwill and other intangible assets with indefinite useful lives annually. The impairment test is based on the recoverable amount of the respective cash-generating units ("**CGUs**"). We focused on this area because management's impairment assessment process on goodwill and other intangible assets with indefinite useful lives was complex and involved significant judgements and estimates, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and the appropriateness of the discount rate applied. The Group's specific disclosures about goodwill and intangible assets are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates", note 15 "Other intangible assets" and note 16 "Goodwill" to the financial statements.	Our audit procedures included, among others: – Involved our valuation specialists to assist us in evaluating the assumptions and methodologies, including the discount rate and growth rate used by the Group in the impairment test of goodwill and intangible assets with indefinite useful lives arising from business combination; – Assessed the competence, professional quality and objectivity of the valuation specialists; – Evaluated the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGUs and the business development plan; – Evaluated the appropriateness of related disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yin Guowei.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**1,324,427**	1,595,498
Cost of sales		**(334,004)**	(363,999)
Gross profit		**990,423**	1,231,499
Other income and gains, net	5	**180,737**	129,498
Selling and distribution expenses		**(555,727)**	(544,128)
Administrative expenses		**(216,759)**	(268,985)
Impairment losses on financial assets		**1,369**	923
Research and development costs		**(126,474)**	(116,076)
Other expenses		**(11,507)**	(21,756)
Finance costs	7	**(4,905)**	(4,538)
Share of profits and losses of:			
A joint venture/Joint ventures		**–**	27,550
An associate		**(131)**	362
PROFIT BEFORE TAX	6	**257,026**	434,349
Income tax expense	10	**(30,686)**	(57,972)
PROFIT FOR THE YEAR		**226,340**	376,377
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(13,962)**	22,019
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(13,962)**	22,019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		(9,071)	8,189
Income tax effect		841	(1,365)
		(8,230)	6,824
Net other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods		(8,230)	6,824
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(22,192)	28,843
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		204,148	405,220
Profit attributable to:			
Owners of the parent		230,072	370,779
Non-controlling interests		(3,732)	5,598
		226,340	376,377
Total comprehensive income attributable to:			
Owners of the parent		210,969	394,023
Non-controlling interests		(6,821)	11,197
		204,148	405,220
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– For profit for the year	12	1.30	2.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**978,017**	895,071
Right-of-use assets	14	**202,378**	216,714
Other intangible assets	15	**404,332**	430,609
Goodwill	16	**385,490**	333,493
Investment in a joint venture	17	**45,864**	–
Investment in an associate	18	**4,355**	5,329
Equity investments designated at fair value through other comprehensive income	19	**405,279**	292,630
Deferred tax assets	29	**26,186**	18,393
Other non-current assets	20	**36,845**	14,257
Total non-current assets		**2,488,746**	2,206,496
CURRENT ASSETS			
Inventories	21	**255,127**	239,988
Trade and bills receivables	22	**340,747**	389,999
Prepayments, other receivables and other assets	23	**55,374**	92,880
Financial assets at fair value through profit or loss	24	**15,145**	–
Pledged deposits	25	**50,963**	–
Cash and bank balances	25	**3,092,603**	3,222,508
Total current assets		**3,809,959**	3,945,375
CURRENT LIABILITIES			
Trade payables	26	**28,032**	36,786
Other payables and accruals	27	**296,942**	263,319
Interest-bearing bank and other borrowings	28	**87,708**	25,710
Tax payable		**21,079**	34,152
Total current liabilities		**433,761**	359,967
NET CURRENT ASSETS		**3,376,198**	3,585,408
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,864,944**	5,791,904

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**20,373**	24,002
Other payables and accruals	27	**4,500**	–
Deferred tax liabilities	29	**102,282**	110,950
Deferred income	30	**3,544**	3,599
Total non-current liabilities		**130,699**	138,551
NET ASSETS		**5,734,245**	5,653,353
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital	31	**177,207**	177,845
Treasury shares	31	**(28,263)**	–
Reserves	32	**5,341,807**	5,276,935
		5,490,751	5,454,780
Non-controlling interests		**243,494**	198,573
Total equity		**5,734,245**	5,653,353

Hou Yongtai
Director

Tang Minjie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to ordinary equity holders of the parent										
	Share capital RMB'000	Treasury shares RMB'000	Share premium account* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Statutory reserve funds* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	177,845	-	3,281,855	48,341	88,923	11,463	(264)	1,846,617	5,454,780	198,573	5,653,353
Profit for the year	-	-	-	-	-	-	-	230,072	230,072	(3,732)	226,340
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(8,230)	-	-	-	-	(8,230)	-	(8,230)
Exchange differences on translation of foreign operations	-	-	-	-	-	(10,873)	-	-	(10,873)	(3,089)	(13,962)
Total comprehensive income for the year	-	-	-	(8,230)	-	(10,873)	-	230,072	210,969	(6,821)	204,148
Repurchase of H shares	-	(50,953)	-	-	-	-	-	-	(50,953)	-	(50,953)
Retirement of H shares	(638)	22,690	(22,052)	-	-	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	16,896	16,896
Cancellation of dividends announced to non-controlling shareholders	-	-	-	-	-	-	-	-	-	34,846	34,846
Dividend declared	-	-	-	-	-	-	-	(124,045)	(124,045)	-	(124,045)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	(4,505)	-	-	-	4,505	-	-	-
At 31 December 2020	177,207	(28,263)	3,259,803	35,606	88,923	590	(264)	1,957,149	5,490,751	243,494	5,734,245

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to ordinary equity holders of the parent									
	Share capital RMB'000	Share premium account* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Statutory reserve funds* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	160,045	1,770,386	48,344	80,023	(4,957)	(264)	1,557,934	3,611,511	223,936	3,835,447
Profit for the year	–	–	–	–	–	–	370,779	370,779	5,598	376,377
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	6,824	–	–	–	–	6,824	–	6,824
Exchange differences on translation of foreign operations	–	–	–	–	16,420	–	–	16,420	5,599	22,019
Total comprehensive income for the year	–	–	6,824	–	16,420	–	370,779	394,023	11,197	405,220
Issue of shares	17,800	1,511,469	–	–	–	–	–	1,529,269	–	1,529,269
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	15,000	15,000
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(51,560)	(51,560)
Dividend declared	–	–	–	–	–	–	(80,023)	(80,023)	–	(80,023)
Transfer to statutory reserve funds	–	–	–	8,900	–	–	(8,900)	–	–	–
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	(6,827)	–	–	–	6,827	–	–	–
At 31 December 2019	177,845	3,281,855	48,341	88,923	11,463	(264)	1,846,617	5,454,780	198,573	5,653,353

* These reserve accounts comprise the consolidated reserves of approximately RMB5,341,807,000 (2019: RMB5,276,935,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		257,026	434,349
Adjustments for:			
Finance costs	7	4,905	4,538
Share of profits and losses of:			
A joint venture/Joint ventures	17	–	(27,550)
An associate	18	131	(362)
Interest income	5	(108,459)	(66,571)
Interest income from equity investments at fair value through profit or loss		(868)	(2,418)
Dividend income from equity investments at fair value through other comprehensive income	5	(36,107)	(9,756)
Investment loss on a subsidiary		–	9,982
Loss on disposal of a joint venture classified as held for sale		–	9,531
Net loss/(gain) on disposal of items of property, plant and equipment	6	1,102	(248)
Covid-19-related rent concessions from lessors	14	(15)	–
Depreciation of property, plant and equipment	6	80,373	68,499
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	6	17,643	17,201
Amortisation of other intangible assets	6	34,855	29,727
Impairment of trade and other receivables		(1,369)	(923)
Write-down of inventories to net realisable value	6	3,970	558
Recognition of government grants related to assets	30	(1,955)	(2,605)
Unrealised losses/(gains) from changes in foreign currency exchange		3,114	(2,150)
		254,346	461,802
Increase in inventories		(18,686)	(27,868)
Decrease/(increase) in trade and bills receivables		15,639	(18,874)
Decrease/(increase) in prepayments, other receivables and other assets		2,982	(2,129)
(Increase)/decrease in pledged deposits		(963)	4,340
Increase in trade payables		23,962	9,155
Increase/(decrease) in other payables and accruals		43,978	(5,110)
Cash generated from operations		321,258	421,316
Income tax paid		(59,185)	(72,405)
Net cash flows generated from operating activities		262,073	348,911

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**108,459**	66,571
Interest income received from equity investments designated at fair value through profit or loss		**870**	2,420
Purchases of items of property, plant and equipment		**(189,696)**	(249,177)
Purchase of land use rights		**–**	(150,037)
Purchase of other intangible assets		**(6,164)**	(86)
Proceeds from disposal of items of property, plant and equipment		**524**	489
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**117,477**	166,331
Proceeds from disposal of financial assets at fair value through profit or loss		**18,525**	–
Payment for acquisition of subsidiaries		**(42,538)**	(106,087)
Payment for an investment in a joint venture		**(45,864)**	–
Payment for liabilities arising from the acquisition of subsidiaries		**–**	(22,580)
Proceeds from disposal of a joint venture classified as held for sale		**–**	71,573
Cash distribution received from a joint venture		**–**	377,550
Purchase of equity investments designated at fair value through other comprehensive income		**(240,197)**	(127,242)
Purchase of financial assets at fair value through profit or loss		**(33,670)**	–
Decrease/(Increase) in time deposits with original maturity of more than three months		**513,286**	(1,175,221)
Compensation derived from the relocation of aborted plant		**38,353**	–
Dividends received from equity investments designated at fair value through other comprehensive income		**36,107**	9,756
Receipt of government grants		**41,451**	–
Net cash flows from/(used in) investing activities		**316,923**	(1,135,740)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the A Share Offering		**–**	1,539,057
Listing fees for A Share Offering		**(502)**	(12,749)
Principal portion of lease payment		**(17,022)**	(14,292)
Dividends paid to non-controlling shareholders		**(8,371)**	(8,343)
New bank loans		**113,989**	52,885
Repayment of bank loans and other borrowings		**(49,890)**	(79,515)
Repurchase of H shares		**(50,953)**	–
Pledged deposits for bank borrowings		**(50,000)**	–
Interest paid		**(3,270)**	(4,474)
Dividends paid	11	**(124,045)**	(80,023)
Net cash flows (used in)/generated from financing activities		**(190,064)**	1,392,546

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		388,932	605,717
Cash and cash equivalents at beginning of year		944,506	335,626
Effect of foreign exchange rate changes, net		(5,551)	3,163
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	1,327,887	944,506
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances and pledged deposits as stated in the statement of financial position	25	3,143,566	3,222,508
Time deposits with original maturity of more than three months when acquired	25	(1,764,716)	(2,278,002)
		1,378,850	944,506
Less: Pledged time deposits:			
Pledged for a bank loan		50,000	–
Guarantee deposits		963	–
Cash and cash equivalents as stated in the statement of cash flows		1,327,887	944,506

1. CORPORATE AND GROUP INFORMATION

The Company was established as a limited liability company on 24 January 2007 in the People's Republic of China, (the "PRC"), and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") since 30 April 2015. The Company issued 17,800,000 A shares on 30 October 2019 ("A Share Offering"). The A shares of the Company have been listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange (the "SSE") since 30 October 2019. Total number of issued shares of the Company after the A Share Offering was 177,845,300 shares (comprising 40,045,300 H Shares and 137,800,000 A Shares).

During the year ended 31 December 2020, the Company repurchased 638,700 H Shares as treasury shares which were cancelled on 3 July 2020. Another 584,500 H Shares were repurchased, and were cancelled on 19 March 2021.

During the year, the Group was principally engaged in the manufacture and sale of biologicals, medical hyaluronate and ophthalmology products, research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

In the opinion of the directors of the Company (the "Directors"), the ultimate controlling shareholders of the Company are Mr. Jiang Wei and his spouse, Ms. You Jie (the "Controlling Shareholders").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
			%	%	
上海其勝生物制劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("Shanghai Qisheng")	PRC/ Mainland China 27 May 1992	RMB160,000,000	100	–	Manufacture and sale of biological reagents, biologicals and biological materials
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("Shanghai Likangrui")	PRC/ Mainland China 3 September 2001	RMB150,000,000	100	–	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services
Haohai Healthcare Holdings Co., Limited. ("Haohai Holdings")	Hong Kong 17 July 2015	HKD153,000,000	100	–	Investment and trading business

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Percentage of equity interest attributable to the Company Indirect %	Principal activities
河南宇宙人工晶狀體研制有限公司 Henan Universe Intraocular Lens Research and Manufacture Co., Ltd.* ("Henan Universe")	PRC/ Mainland China 23 April 1991	RMB9,923,200	–	100	Manufacture and sale of intraocular lens and related products
深圳市新產業眼科新技術有限公司 Shenzhen New Industries Material of Ophthalmology Co., Ltd.* ("NIMO")	PRC/ Mainland China 27 April 2006	RMB11,000,000	–	60	Sale of ophthalmology products
Contamac Limited	U.K. 10 May 1991	GBP1,000	–	70	Manufacture and sale of contact lens and intraocular lens material, machines and accessories

* English translations of names for identification purposes only

* All of the Company's subsidiaries registered in the PRC are limited liability companies under PRC law.

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

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and certain other payables and accruals, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PRESENTATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's building have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of approximately RMB14,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments must be applied prospectively.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

Items	Principal annual rate
Land and buildings	2.4%-5.0%
Plant and machinery	9.0%-33.3%
Motor vehicles	9.5%-47.5%
Office equipment and others	9.5%-33.3%
Leasehold improvements	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

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

Patents and non-patent technology

Purchased patents and non-patent technology are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 15 years.

Research and development costs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 36 to 120 months.

Customer relationship

Customer relationship is acquired in business combinations and stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 15 years.

Brand

Brand is acquired in a business combination. The useful life of the brand is estimated to be indefinite because based on the current market share of the brand, management believes there is no foreseeable limit to the period over which the brand is expected to generate net cash flows for the Group.

Leases

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

Group as a lessee

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

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

Buildings	2 to 10 years
Leasehold land	20 to 50 years

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

(b) Lease liabilities

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

*Group as a lessee **(Continued)***

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

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement ***(Continued)***

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

General approach

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

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

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

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach ***(Continued)***

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

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

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

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related costs or expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or offset against relevant costs over the periods in which the related costs are recognised; (b) if the grant is a compensation for related costs or expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant costs for the current period.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

- Sale of goods

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

Other income

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

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

Other employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In judging the business model, the Group considers corporate appraisal, methods of reporting the results of financial assets to key management members, risks affecting the results of financial assets and its management, as well as the methods of remunerating relevant business managers and so forth. In assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reasons for disposing of the financial assets before maturity, time, frequency and value of the financial assets and so forth.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Useful lives of intangible assets

The Group's management determines the estimated useful lives and the related amortisation charge for the Group's intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and, therefore, amortisation charge in the future periods.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Groups' trade receivables is disclosed in note 42 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill and other intangible assets with indefinite useful lives

The Group determines whether goodwill and other intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and other intangible assets with indefinite useful lives subject to impairment test at 31 December 2020 were approximately RMB385,490,000 (2019: RMB333,493,000) and RMB103,659,000 (2019: RMB108,023,000), respectively. Further details are given in notes 16 and 15 respectively.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable to items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2020 was RMB264,061,000 (2019: RMB154,080,000). Further details are included in note 19 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which is the manufacture and sale of biologicals, medical hyaluronate and intraocular lens, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, management monitors the operating results of the Group's operating segment as a whole for the purpose of making decision about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
Mainland China	**1,167,941**	1,399,528
USA	**62,525**	78,081
U.K.	**10,245**	10,333
Other regions and countries	**83,716**	107,556
	1,324,427	1,595,498

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
Mainland China	**1,628,285**	1,495,695
USA	**87,292**	108,610
U.K.	**328,621**	276,674
Other regions and countries	**13,083**	14,494
	2,057,281	1,895,473

The non-current asset information of continuing operations above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No revenue from a single customer contributed to 10% or more of the Group's revenue during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	**1,324,427**	1,595,498

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
(a) Disaggregated revenue information		
Types of goods sold		
Ophthalmology products	**562,660**	709,768
Orthopedic products	**329,910**	357,932
Medical aesthetics and wound care products	**240,705**	299,140
Anti-adhesion and hemostasis products	**171,436**	188,877
Other products	**19,716**	39,781
Total	**1,324,427**	1,595,498
Timing of revenue recognition		
Goods transferred at a point in time	**1,324,427**	1,595,498

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**13,603**	22,418

5. REVENUE, OTHER INCOME AND GAINS (Continued)

(b) Performance obligation

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

Sale of products

The performance obligation is satisfied upon delivery of products and payment is generally due within six months from delivery, except for distributors, where payment in advance is normally required.

	2020 RMB'000	2019 RMB'000
Other income and gains		
Bank interest income	**108,459**	66,571
Government grants (note)	**33,882**	46,325
Dividend income from equity investments designated at fair value through other comprehensive income	**36,107**	9,756
Exchange gains	**–**	2,150
Gain on disposal of items of property, plant and equipment	**–**	248
Others	**2,289**	4,448
	180,737	129,498

Note:

Various government grants have been received from local government authorities in various regions in the PRC, for compensating research activities. The government grants released have been recorded in other income and gains, among which there were no unfulfilled conditions or contingencies relating to these recognised government grants.

6. PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold	334,004	363,999
Depreciation of property, plant and equipment (note 13)	80,373	68,499
Depreciation of right-of-use assets	17,643	17,201
Amortisation of other intangible assets (note 15)	34,855	29,727
Auditor's remuneration	2,480	1,250
Research and development costs	126,474	116,076
Lease payments not included in the measurement of lease liabilities (note 14)	2,663	3,575
Employee benefit expense (excluding directors' remuneration as set out in note 8)		
– Wages and salaries	284,736	298,815
– Pension scheme contributions	9,780	26,872
Foreign exchange differences, net	3,114	(2,150)
Impairment losses on financial assets, net:		
Impairment of trade receivables, net	1,025	(794)
Impairment of financial assets included in prepayments, other receivables and other assets, net	(2,394)	(129)
Write-down of inventories to net realisable value	3,970	558
Bank interest income	(108,459)	(66,571)
Net loss on disposal of a joint venture classified as held for sale	–	9,531
Investment loss on a subsidiary	–	9,982
Net loss/(gain) on disposal and obsolescence of items of property, plant and equipment	1,102	(248)

7. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank loans and other loans	3,456	2,475
Interest on lease liabilities	1,449	2,063
	4,905	4,538

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020 RMB'000	2019 RMB'000
Fees	630	595
Other emoluments:		
Salaries, allowances and benefits in kind	3,372	3,642
Performance related bonuses	1,941	3,329
Pension scheme contributions	24	294
	5,337	7,265
	5,967	7,860

(a) Independent non-executive directors

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

	2020 RMB'000	2019 RMB'000
Mr. Li Yingqi	42	–
Mr. Yang Yushe	42	–
Mr. Zhao Lei	42	–
Mr. Su Zhi	42	–
Mr. Jiang Zhihong	42	–
Mr. Chen Huabin	42	84
Mr. Shen Hongbo	42	84
Mr. Zhu Qin	42	84
Mr. Wong Kwan Kit*	42	84
Mr. Li Yuanxu*	–	42
	378	378

* Mr. Li Yuanxu no longer served as a Directors or held any positions in the Board Committees in the Company from the date of approval of election of the Fourth Session of the Board at the Annual General Meeting ("AGM") held on 27 June 2019.

The Company issued an announcement dated 14 May, 2020 regarding to the change of independent non-executive Directors.

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

The Board further announces that Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit no longer served as independent non-executive Directors of the Company as well as their respective related positions in the Board Committees since the date of the AGM on 29 June, 2020 due to the expiration of the six-year term or the personal work commitments.

Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit have confirmed that they have no disagreement with the Board and there is no matter in respect of their resignations that needs to be brought to the attention of the shareholders and the Hong Kong Stock Exchange.

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020					
Executive directors:					
Dr. Hou Yongtai	–	648	494	4	1,146
Mr. Wu Jianying[1]	–	768	494	4	1,266
Mr. Tang Minjie	–	648	396	4	1,048
Ms. Chen Yiyi	–	528	396	4	928
Non-executive directors:					
Ms. You Jie	–	–	–	–	–
Mr. Huang Ming[2]	84	–	–	–	84
Supervisors:					
Mr. Liu Yuanzhong	–	–	–	–	–
Mr. Tang Yuejun	84	–	–	–	84
Mr. Yang Qing	84	–	–	–	84
Mr. Wei Changzheng	–	444	161	4	609
Mr. Yang Linfeng	–	336	–	4	340
	252	3,372	1,941	24	5,589

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

(b) Executive directors, non-executive directors, supervisors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019					
Executive directors:					
Dr. Hou Yongtai	–	628	708	49	1,385
Mr. Wu Jianying[1]	–	742	728	49	1,519
Mr. Huang Ming[2]	–	438	420	–	858
Mr. Tang Minjie	–	610	597	49	1,256
Ms. Chen Yiyi	–	490	466	49	1,005
Non-executive directors:					
Ms. You Jie	–	–	–	–	–
Mr. Gan Renbao[3]	49	–	–	–	49
Supervisors:					
Mr. Liu Yuanzhong	–	–	–	–	–
Mr. Wei Changzheng	–	418	251	49	718
Mr. Yang Qing	84	–	–	–	84
Mr. Tang Yuejun	84	–	–	–	84
Mr. Yang Linfeng	–	316	159	49	524
	217	3,642	3,329	294	7,482

1 Mr. Wu Jianying was the chief executive of the Group during the year.

2 Mr. Huang Ming has been re-designated as an non-executive Director from an executive Director with effect from 19 December 2019.

3 Mr. Gan Renbao no longer served as a Director or held any positions in the Board Committees in the Company from the date of approval of election of the Fourth Session of the Board at the AGM held on 27 June 2019.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2019: five directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2019: Nil) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000
Salaries, allowances and benefits in kind	624
Performance related bonuses	161
Pension scheme contributions	4
	789

The number of five highest paid individuals whose remuneration fell within the following bands is as follows:

	2020	2019
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	3	2
HK$1,500,001 to HK$2,000,000	1	2
	5	5

10. INCOME TAX

The Company and its subsidiaries, except for Haohai Holdings, Aaren Laboratories, LLC, Aaren Scientific Inc., Contamac Holdings Limited ("Contamac Holdings") and its subsidiaries ("Contamac Group"), Haohai Healthcare Holdings (BVI) Co., Ltd. and China Ocean Group Limited ("China Ocean"), are registered in the PRC and only have operations in Mainland China. They are subject to PRC corporate income tax ("CIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

The Company, Shanghai Qisheng, Shanghai Jianhua Fine Biological Products Co., Ltd. ("Shanghai Jianhua") and Henan Universe were accredited as high and new-tech enterprises (the "HNTE Status") respectively, effective for the three years from 2017 to 2019 by the relevant authorities. In 2020, the Company, Shanghai Qisheng, Shanghai Jianhua and Henan Universe renewed the HNTE Status for the next three years from 2020 to 2022 successfully. Therefore, the preferential income tax rate of 15% was applied during the years from 2020 to 2022 for the Company, Shanghai Qisheng, Shanghai Jianhua and Henan Universe.

NIMO was also accredited with the HNTE Status, effective for the three years from 2018 to 2020 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2018 to 2020.

10. INCOME TAX (Continued)

Qingdao Huayuan Fine Biological Product Co., Ltd. was also accredited with the HNTE Status in 2020, effective for the three years from 2020 to 2022 by the relevant authorities. Therefore, the preferential income tax rate of 15% is applied during the years from 2020 to 2022.

Hangzhou Aijinglun Technology Co., Ltd., ("Hangzhou Aijinglun"), which the Group acquired during the year, was accredited with HNTE Status effective for the three years from 2019 to 2021 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during 2020 for Hangzhou Aijinglun.

The applicable tax rate for the other subsidiaries registered in Mainland China was 25% during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The profits tax for subsidiaries in the USA has been provided at the rate of 21% on the estimated assessable profits arising in the USA during the year.

The profits tax for subsidiaries in the U.K. has been provided at the rate of 19% on the estimated assessable profits arising in the U.K. during the year.

The profits tax for subsidiaries in France has been provided at the rate of 28% on the estimated assessable profits arising in France during the year.

	2020 RMB'000	2019 RMB'000
Current		
Charge for the year	46,267	81,335
Over provision in prior years	(155)	(54)
Deferred (note 29)	(15,426)	(23,309)
Total tax charge for the year	30,686	57,972

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2020

	Mainland China		Hong Kong		USA		U.K.		France		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(Loss) before tax	257,816		985		(12,462)		16,622		(5,935)		257,026	
Tax at the statutory tax rate	64,453	25.0	163	16.5	(2,616)	21.0	3,158	19.0	(1,662)	28.0	63,496	24.7
Lower tax rate for specific provinces or enacted by local authority	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments in respect of current tax of previous years	1,106	0.4	(8)	(0.8)	40	(0.3)	(1,293)	(7.8)	-	-	(155)	(0.1)
Profit and loss attributable to an associate	-	-	-	-	-	-	25	0.2	-	-	25	-
Additional deductible allowance for research and development expenses	(18,570)	(7.2)	-	-	-	-	(1,234)	(7.4)	-	-	(19,804)	(7.7)
Expenses not deductible for tax	1,617	0.6	11	1.1	-	-	1,047	6.3	-	-	2,675	1.0
Deductible temporary differences and tax losses not recognised	6,801	2.6	775	78.7	1,471	(11.8)	-	-	1,662	(28.0)	10,709	4.2
Income not subject to tax	-	-	(949)	(96.3)	-	-	-	-	-	-	(949)	(0.4)
Tax losses utilised from previous periods	(342)	(0.1)	-	-	-	-	(1,000)	(6.0)	-	-	(1,342)	(0.5)
Tax saving from preferential tax rate due to HNTE Status	(23,969)	(9.3)	-	-	-	-	-	-	-	-	(23,969)	(9.3)
Tax charge at the Group's effective rate	31,096	12.1	(8)	(0.8)	(1,105)	8.9	703	4.2	-	-	30,686	11.9

10. INCOME TAX (Continued)

2019

	Mainland China		Hong Kong		USA		U.K.		France		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	399,642		32,250		(1,118)		9,214		(5,639)		434,349	
Tax at the statutory tax rate	100,010	25.0	5,321	16.5	(235)	20.9	1,751	19.0	(1,579)	28.0	105,268	24.2
Lower tax rate for specific provinces or enacted by local authority	–	–	146	0.5	–	–	–	–	–	–	146	–
Adjustments in respect of current tax of previous years	508	0.1	92	0.3	(654)	58.5	–	–	–	–	(54)	–
Profit and loss attributable to an associate	–	–	–	–	–	–	(69)	(0.7)	–	–	(69)	–
Additional deductible allowance for research and development expenses	(18,698)	(4.7)	–	–	–	–	(843)	(9.1)	–	–	(19,541)	(4.6)
Expenses not deductible for tax	2,002	0.5	67	0.2	82	(7.3)	383	4.1	257	(4.6)	2,791	0.6
Deductible temporary differences and tax losses not recognised	7,655	2.0	–	–	–	–	–	–	1,322	(23.4)	8,977	2.1
Income not subject to tax	–	–	(1,317)	(4.1)	–	–	–	–	–	–	(1,317)	(0.3)
Tax losses utilised from previous periods	(668)	(0.2)	–	–	–	–	–	–	–	–	(668)	(0.2)
Tax saving from preferential tax rate due to HNTE Status	(37,561)	(9.4)	–	–	–	–	–	–	–	–	(37,561)	(8.5)
Tax charge at the Group's effective rate	53,248	13.3	4,309	13.4	(807)	72.1	1,222	13.3	–	–	57,972	13.3

The effective tax rate of the Group was 11.9% during the year ended 31 December 2020 (2019: 13.3%).

11. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Proposed 2020 final dividend		
– RMB0.50 per ordinary share	88,311	–
Proposed 2019 final dividend		
– RMB0.70 per ordinary share	–	124,492
	88,311	124,492

On 26 March 2021, the Directors proposed to declare the final dividend of RMB0.50 (inclusive of tax) per ordinary share, amounting to RMB88,311,050 for the year ended 31 December 2020.

On 26 March 2020, the Directors proposed to declare the final dividend of RMB0.70 (inclusive of tax) per ordinary share, amounting to RMB124,491,710 for the year ended 31 December 2019.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 177,232,008 (2019: 163,011,967) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	230,072	370,779

	Numbers of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculations	177,232,008	163,011,967

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RMB'000	Plant and machinery RMB'000	Motor vehicles* RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020:							
Cost	262,894	420,809	12,053	59,130	356,508	75,958	1,187,352
Accumulated depreciation and impairment	(35,608)	(162,566)	(9,755)	(36,105)	–	(48,247)	(292,281)
Net carrying amount	227,286	258,243	2,298	23,025	356,508	27,711	895,071
At 1 January 2020, net of accumulated depreciation and impairment	227,286	258,243	2,298	23,025	356,508	27,711	895,071
Additions	11,977	18,585	1,092	9,511	123,344	2,695	167,204
Acquisition of a subsidiary (note 34)	–	1,854	–	77	–	128	2,059
Disposals	(3)	(1,975)	(259)	(351)	–	–	(2,588)
Depreciation provided during the year	(18,337)	(40,743)	(2,003)	(8,383)	–	(10,907)	(80,373)
Transfers	–	23,311	1,659	3,210	(38,840)	10,660	–
Exchange realignment	(1,514)	(918)	(29)	(133)	–	(762)	(3,356)
At 31 December 2020, net of accumulated depreciation and impairment	219,409	258,357	2,758	26,956	441,012	29,525	978,017
At 31 December 2020:							
Cost	273,191	437,219	14,210	65,896	441,012	88,478	1,320,006
Accumulated depreciation and impairment	(53,782)	(178,862)	(11,452)	(38,940)	–	(58,953)	(341,989)
Net carrying amount	219,409	258,357	2,758	26,956	441,012	29,525	978,017

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings* RMB'000	Plant and machinery RMB'000	Motor vehicles* RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
Cost	210,330	329,962	10,820	48,384	278,272	51,357	929,125
Accumulated depreciation and impairment	(23,017)	(122,376)	(8,977)	(31,179)	–	(39,724)	(225,273)
Net carrying amount	187,313	207,586	1,843	17,205	278,272	11,633	703,852
At 1 January 2019, net of accumulated depreciation and impairment	187,313	207,586	1,843	17,205	278,272	11,633	703,852
Additions	40,632	19,663	1,568	7,763	177,767	3,300	250,693
Acquisition of a subsidiary	–	4,425	222	–	–	1,093	5,740
Disposals	–	(46)	(154)	(41)	–	–	(241)
Depreciation provided during the year	(12,337)	(40,400)	(1,356)	(5,545)	–	(8,861)	(68,499)
Transfers	9,968	65,464	123	3,439	(99,531)	20,537	–
Exchange realignment	1,710	1,551	52	204	–	9	3,526
At 31 December 2019, net of accumulated depreciation and impairment	227,286	258,243	2,298	23,025	356,508	27,711	895,071
At 31 December 2019:							
Cost	262,894	420,809	12,053	59,130	356,508	75,958	1,187,352
Accumulated depreciation and impairment	(35,608)	(162,566)	(9,755)	(36,105)	–	(48,247)	(292,281)
Net carrying amount	227,286	258,243	2,298	23,025	356,508	27,711	895,071

* At 31 December 2020, certain of the Group's motor vehicles with a net carrying amount of approximately RMB201,000 (2019: RMB342,000) were pledged to secure bank borrowings and at 31 December 2019, certain of the Group's land and buildings in the U.K. with a net carrying amount of approximately RMB13,281,000 were pledged to secure bank borrowings, as further detailed in note 28 to the financial statements.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There is no lease contract that includes extension and termination options and variable lease payments.

(a) Right-of-use assets

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

	Prepaid land lease payments RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2019	40,050	43,683	83,733
Additions	150,037	5,031	155,068
Depreciation charge	(6,702)	(15,385)	(22,087)
As at 31 December 2019 and 1 January 2020	183,385	33,329	216,714
Additions	–	9,823	9,823
Depreciation charge	(8,830)	(15,329)	(24,159)
As at 31 December 2020	174,555	27,823	202,378

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	34,422	43,683
New leases	9,823	5,031
Accretion of interest recognised during the year	1,449	2,063
Covid-19-related rent concessions from lessors	(15)	–
Payments	(17,022)	(16,355)
Carrying amount at 31 December	28,657	34,422
Analysed into:		
Current portion	8,866	11,073
Non-current portion	19,791	23,349

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	1,449	2,063
Depreciation charge of right-of-use assets	24,159	22,087
Covid-19-related rent concessions from lessors	(15)	–
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	5,141	3,575
Total amount recognised in profit or loss	30,734	27,725

15. OTHER INTANGIBLE ASSETS

	Patents RMB'000	Non-patent technology RMB'000	Software RMB'000	Customer relationship RMB'000	Brands* RMB'000	Total RMB'000
31 December 2020						
Cost at 1 January 2020, net of accumulated amortisation	578	149,280	4,401	168,327	108,023	430,609
Additions	853	–	5,311	–	–	6,164
Amortisation provided during the year	(698)	(11,783)	(1,850)	(20,524)	–	(34,855)
Acquisition of a subsidiary (note 34)	–	13,650	–	–	–	13,650
Exchange realignment	(10)	(6,737)	(125)	–	(4,364)	(11,236)
At 31 December 2020	723	144,410	7,737	147,803	103,659	404,332
31 December 2020:						
Cost	12,428	187,078	12,180	220,401	103,659	535,746
Accumulated amortisation	(11,705)	(42,668)	(4,443)	(72,598)	–	(131,414)
Net carrying amount	723	144,410	7,737	147,803	103,659	404,332

15. OTHER INTANGIBLE ASSETS (Continued)

	Patents RMB'000	Non-patent technology RMB'000	Software RMB'000	Customer relationship RMB'000	Brands* RMB'000	Total RMB'000
31 December 2019						
Cost at 1 January 2019 net of accumulated amortisation	1,147	133,551	5,145	184,852	103,699	428,394
Additions	–	–	88	–	–	88
Capital contribution from non-controlling shareholders of a subsidiary	–	15,000	–	–	–	15,000
Amortisation provided during the year	(569)	(11,288)	(1,345)	(16,525)	–	(29,727)
Acquisition of a subsidiary	–	5,733	496	–	–	6,229
Exchange realignment	–	6,284	17	–	4,324	10,625
At 31 December 2019	578	149,280	4,401	168,327	108,023	430,609
31 December 2019:						
Cost	11,588	179,543	7,029	220,401	108,023	526,584
Accumulated amortisation	(11,010)	(30,263)	(2,628)	(52,074)	–	(95,975)
Net carrying amount	578	149,280	4,401	168,327	108,023	430,609

* The brands consisted of one brand of approximately RMB33,395,000 (2019: RMB35,706,000) that was acquired from the business combination of the hydrophilic intraocular lenses and PMMA products business from Aaren Scientific Inc. ("Aaren Business"), a legal entity registered in the USA, with an indefinite useful life in 2016, and the other brand of approximately RMB70,264,000 (2019: RMB72,317,000) that was acquired from the business combination of Contamac Group with an indefinite useful life in 2017.

During the year ended 31 December 2020, the Group determined that there was no impairment of intangible assets with indefinite useful lives using the income approach – relief-from-royalty method. The value in use was determined under this method, cash flow projections of which were based on financial budgets approved by senior management. The discount rate applied to the cash flow projections named Aaren Business was 13% (2019: 13%). The growth rate used to extrapolate the cash flows of Aaren Business beyond the five-year period was 2% (2019: 2%). The discount rate applied to the cash flow projections named Contamac Group was 12% (2019: 12%). The growth rate used to extrapolate the cash flows of Contamac Group beyond the five-year period was 2% (2019: 2%).

15. OTHER INTANGIBLE ASSETS (Continued)

Assumptions were used in the value-in-use calculation of cash-generating units for 31 December 2020. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of the other intangible assets:

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

- Growth rates – The growth rates were based on industry growth forecasts.

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

The values assigned to the key assumptions on discount rates, growth rates and changes in selling prices and direct costs were consistent with external information sources.

16. GOODWILL

	2020 RMB'000	2019 RMB'000
At the beginning of the year	333,493	332,003
Acquisition of a subsidiary (note 34)	53,349	–
Exchange realignment	(1,352)	1,490
At the end of the year	385,490	333,493

Impairment testing of goodwill

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

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Goodwill acquired through business combinations was allocated to the following cash-generating units for impairment testing:

Cash-generating unit named NIMO[1];
Cash-generating unit named Aaren Business;
Cash-generating unit named Contamac Group;
Cash-generating unit named China Ocean Group[2]; and
Cash-generating unit named Hangzhou Aijinglun[3]

1 During the year ended 31 December 2020, the Group treated NIMO and Zhuhai Eyegood as one cash-generating unit (2019: two separate cash-generating units). Due to the business integration of the Group, NIMO absorbed and merged with Zhuhai Eyegood, and the Group considered that NIMO and Zhuhai Eyegood had been managed as one cash-generating unit mainly based on three considerations: (1) unified synergy in the management of personnel appointment and dismissal, performance appraisal, R&D management and financial planning; (2) unified allocation of sales, procurement and production operations; (3) unified decision-making on the continued use or disposal of assets, and therefore, the Group treated NIMO and Zhuhai Eyegood as one cash-generating unit for goodwill impairment testing as at 31 December 2020.

2 During the year ended 31 December 2017, the Group acquired a total of 100% of equity shares of China Ocean Group Limited and its subsidiaries ("China Ocean Group"), including Qingdao Huayuan Fine Biological Product Co., Ltd., Shanghai Pacific Biological Technology Co., Ltd. and Shanghai Pacific Pharmaceutical Co., Ltd.

3 During the year ended 31 December 2020, the Group acquired a total of 55% of equity shares of Hangzhou Aijinglun.

Cash-generating unit named NIMO

The recoverable amount of the cash-generating unit named NIMO was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15% (2019: 14% for NIMO and 16% for Zhuhai Eyegood). The growth rate used to extrapolate the cash flows beyond the five-year period was 3% (2019: 3% for both NIMO and Zhuhai Eyegood).

Cash-generating unit named Aaren Business

The recoverable amount of the cash-generating unit named Aaren Business was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 13% (2019: 13%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2019: 2%).

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Cash-generating unit named Contamac Group

The recoverable amount of the cash-generating unit named Contamac Group was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 12% (2019: 12%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2019: 2%).

Cash-generating unit named China Ocean Group

The recoverable amount of the cash-generating unit named China Ocean Group was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15% (2019: 16%). The growth rate used to extrapolate the cash flows beyond the five-year period was 3% (2019: 3%).

Cash-generating unit named Hangzhou Aijinglun

The recoverable amount of the cash-generating unit named Hangzhou Aijinglun was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 16%. The growth rate used to extrapolate the cash flows beyond the five-year period was 3%.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	NIMO and Zhuhai Eyegood RMB'000	Aaren Business RMB'000	Contamac Group RMB'000	China Ocean Group RMB'000	Hangzhou Aijinglun RMB'000	Total RMB'000
31 December 2020						
Carrying amount of goodwill	**266,026**	**8,968**	**25,032**	**32,115**	**53,349**	**385,490**

	NIMO RMB'000	Aaren Business RMB'000	Zhuhai Eyegood RMB'000	Contamac Group RMB'000	China Ocean Group RMB'000	Total RMB'000
31 December 2019						
Carrying amount of goodwill	249,996	9,589	16,030	25,763	32,115	333,493

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Cash-generating unit named Hangzhou Aijinglun ***(Continued)***

Assumptions were used in the value-in-use calculation of cash-generating units for 31 December 2020. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

- Discount rates – The discount rates used were before tax and reflect specific risks relating to the relevant units.
- Growth rates – The growth rates were based on industry growth forecasts.
- Changes in selling prices and direct costs – These were based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rates and changes in selling prices and direct costs were consistent with external information sources.

17. INVESTMENT IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Share of net assets	45,864	–

As of 31 December 2020, the Group invested a total of RMB45,864,000 in Changxing Tongrui Investment Partnership Enterprise (Limited Partnership) ("Changxing Tongrui") of which the Group has joint control with two third parties.

As of 31 December 2018, the Group invested a total of RMB350,000,000 in Changxing Tongrui of which the Group has joint control with a third party. Therefore, the Group recorded its investment in Changxing Tongrui as an investment in a joint venture. As of 31 December 2019, as the target investment project held by Changxing Tongrui was completed, pursuant to the terms of the Changxing Tongrui Limited Partnership Agreement dated 6 November 2017, the Group received all cash distribution from Changxing Tongrui amounting to RMB377,550,000, which consisted of net investment income in the amount of RMB27,550,000 and a refund of the corresponding original principal investment amount contributed by the Group at RMB350,000,000. There was no remaining investment portfolio as of 31 December 2019. Accordingly, the share of Changxing Tongrui's profit of RMB27,550,000 was recognised in profit or loss during the year ended 31 December 2019.

17. INVESTMENT IN A JOINT VENTURE (Continued)

As at 31 December 2020 and 2019, there was no trade receivable and payable balance with the joint ventures.

The following table illustrates the financial information of the Group's joint ventures that are not individually material, Changxing Tongrui:

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' profit for year	–	27,550
Share of the joint ventures' total comprehensive income for the year	–	27,550
Aggregate carrying amount of the Group's investment in the joint venture	45,864	–

18. INVESTMENT IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Share of net assets	3,346	2,940
Loan to an associate	1,009	2,389
	4,355	5,329

The loan to the associate was unsecured, interest free with no fixed term of repayment. In the opinion of the directors, these loans are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the associate. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

The Group's trade receivable with the associate are disclosed in note 22 to the financial statements. As at 31 December 2020 and 2019, there was no trade payable balance with the associate.

The following table illustrates the financial information of the Group's associate that is not individually material, Lifeline Medical Devices Private Limited ("Lifeline"):

	2020 RMB'000	2019 RMB'000
Share of the associate's (loss)/profit for the year	(131)	362
Share of the associate's total comprehensive (loss)/income for the year	(131)	362
Aggregate carrying amount of the Group's investment in the associate	4,355	5,329

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

	2020 RMB'000	2019 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Union Medical Healthcare Limited	116,841	127,353
Raily Aesthetic Medicine International Holdings Ltd.	15,780	–
Aesthetic Medical International Holdings Group Limited	8,597	11,197
	141,218	138,550
Unlisted equity investments		
Shenwu No. 1 Investment Product	189,662	98,056
Recros Medica	52,199	56,024
Shanghai Semecell Technology Co., Ltd.	9,600	–
Shanghai Lunsheng Information Technology Co., Ltd.	7,600	–
Shanghai Resthetic Biotechnology Co., Ltd.	5,000	–
	264,061	154,080
	405,279	292,630

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

In September 2020, the Group disposal a portion of its investment in Shenwu No. 1 Investment Product. The fair value on the date of sale was approximately RMB100,001,000 and the accumulated loss recognised in other comprehensive income of approximately RMB3,723,000 was transferred to retained earnings.

During November and December 2020, the Group disposed of a portion of its investment in Union Medical Healthcare Limited. The fair value on the date of sale was approximately RMB17,475,000 and the accumulated gain recognised in other comprehensive income of approximately RMB8,228,000 was transferred to retained earnings.

During the year ended 31 December 2020, the Group received dividends in the amounts of RMB5,286,000 (2019: RMB4,688,000) and RMB30,821,000 (2019: RMB5,068,000) from Union Medical Healthcare Limited and Shenwu No. 1 Investment Product, respectively.

20. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments for property, plant and equipment	35,845	14,257
Prepayments for other non-current assets	1,000	–
	36,845	14,257

21. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	79,268	52,221
Work in progress	30,039	37,429
Finished goods	93,607	97,004
Merchandises	57,596	55,845
	260,510	242,499
Less: Provision for inventories	5,383	2,511
	255,127	239,988

None of the Group's inventories was pledged during the years ended 31 December 2020 and 2019.

22. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Bills receivable	7,219	8,008
Trade receivables	366,937	414,704
Impairment	(33,409)	(32,713)
	340,747	389,999

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to twelve months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

22. TRADE AND BILLS RECEIVABLES (Continued)

Included in the Group's trade and bills receivables were amounts due from the Group's associate of approximately RMB2,639,000 (2019: RMB3,032,000), which were repayable on credit terms similar to those offered to the major customers of the Group. As at 31 December 2020 and 2019, there was not any trade and receivable due from the Group's joint venture.

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	328,156	378,334
1 to 2 years	10,979	10,118
2 to 3 years	1,612	1,547
	340,747	389,999

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

	2020 RMB'000	2019 RMB'000
At 1 January	32,713	33,411
Impairment losses recognised/(reversed)	1,025	(794)
Amount written off as uncollectible	(242)	–
Exchange realignment	(87)	96
	33,409	32,713

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

The information about the credit risk exposure on the Group's trade receivables using a provision matrix is disclosed in note 42 to the financial statements.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments	43,721	37,428
Deposits and other receivables	7,846	16,502
Compensation receivable derived from the relocation of aborted plant	7,000	45,000
Impairment allowance	(3,193)	(6,050)
	55,374	92,880

The movements in provision for impairment allowance of deposits and other receivables are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	6,050	6,160
Impairment losses reversed	(2,394)	(129)
Amount written off as uncollectible	(450)	–
Exchange realignment	(13)	19
	3,193	6,050

Included in the above provision for impairment allowance of deposits and other receivables was the provision for individually fully impaired other receivables of approximately RMB3,967,000 as at 31 December 2019 (2020: Nil).

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for as at 31 December 2020 and 2019 is disclosed in note 42 to the financial statements.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Other unlisted investments, at fair value	15,145	–

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and bank balances and pledged deposits	3,143,566	3,222,508
Time deposits with original maturity of more than three months when acquired	(1,764,716)	(2,278,002)
	1,378,850	944,506
Less: Pledged time deposit:		
Pledged for a bank loan	50,000	–
Guarantee deposits	963	–
Cash and cash equivalents	1,327,887	944,506

At the end of the reporting period, nearly 96% (2019: 96%) of the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under the Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between three months and one year, depending on the immediate cash requirements of the Group. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	28,032	36,786

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	27,465	30,341
3 months to 1 year	279	6,377
Over 1 year	288	68
	28,032	36,786

These trade payables were normally settled within 90 days, which represented credit terms similar to those offered by the joint venture to its major customers.

The trade payables were non-interest-bearing and were normally settled on terms of 30 to 90 days.

27. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Current:			
Payroll and welfare payable		56,366	59,634
Payables related to:			
Government grants received		64,819	27,013
Purchases of property, plant and equipment		34,583	29,565
Deposits received		28,796	29,835
Others		28,004	13,789
Accrued expenses		56,368	29,703
Contract liabilities – short-term advances received from customers	(a)	16,162	18,069
Other taxes payable		11,844	12,494
Dividends payable to non-controlling shareholders of subsidiaries		–	43,217
		296,942	263,319
Non-current:			
Payables for acquisition of the subsidiaries and contingent consideration	(b)	4,500	–

The above balances were non-interest-bearing and repayable on demand.

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Short-term advances received from customers		
Sale of goods	16,162	18,069

(b) RMB4,500,000 will be paid to the original shareholders of Hangzhou Aijinglun, provided that Hangzhou Aijinglun obtains the registration certificate from the relevant authorities for certain new products under development within five years from the date of acquisition. Further details are given in note 34.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 14(b))	4.24-4.75	2021	8,866	4.24	2020	11,073
Bank loans						
– secured (a)	3.05-5.19	2021	78,691	4.01	2020	5,302
Current portion of long term other loans						
– unsecured (c)	–	2021	65	–	2020	113
Current portion of long term bank loans						
– secured (b)	0.89	2021	86	0.89-2.92	2020	9,222
			87,708			25,710
Non-current						
Lease liabilities (note 14(b))	4.24-4.75	2022-2028	19,791	4.24	2021-2028	23,349
Bank loans						
– secured (b)	0.89	2022	62	0.89	2022	144
Other loans						
– unsecured (c)	–	2022-2023	520	–	2023	509
			20,373			24,002
			108,081			49,712

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	78,777	14,524
In the second year	62	79
In the third to fifth years, inclusive	–	65
	78,839	14,668
Other borrowings repayable:		
Within one year or on demand	8,931	11,186
In the second year	6,719	7,908
In the third to fifth years, inclusive	6,358	12,063
Beyond five year	7,234	3,887
	29,242	35,044
	108,081	49,712

Notes:

(a) The apartments of the non-controlling shareholders of NIMO were pledged for bank loans of RMB28,691,000 (31 December 2019: RMB5,302,000), which were also guaranteed by these shareholders. In addition, bank loans of the Company of RMB50,000,000 (31 December 2019: nil) were secured by Shanghai Qisheng's bank deposits of RMB50,000,000.

(b) A bank loan of ODC Industries ("ODC") at the interest rate of 0.89% was secured by mortgages over a vehicle of ODC with a carrying value of approximately RMB201,000.

(c) The unsecured loan represents an interest-free government loan obtained by ODC.

29. DEFERRED TAX

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

Deferred tax liabilities

2020

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2020	4,251	97,258	9,441	110,950
Deferred tax arising from acquisition of subsidiaries	–	2,153	–	2,153
Deferred tax charged/(credited) to profit or loss	132	(8,412)	2	(8,278)
Exchange realignment	(170)	(1,888)	(485)	(2,543)
Gross deferred tax liabilities at 31 December 2020	4,213	89,111	8,958	102,282

2019

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2019	3,573	115,549	7,876	126,998
Deferred tax arising from acquisition of subsidiaries	–	1,842	–	1,842
Deferred tax charged/(credited) to profit or loss	513	(22,675)	–	(22,162)
Deferred tax charged to other comprehensive income	–	–	1,442	1,442
Exchange realignment	165	2,542	123	2,830
Gross deferred tax liabilities at 31 December 2019	4,251	97,258	9,441	110,950

29. DEFERRED TAX (Continued)

Deferred tax assets

2020

	Lease liabilities RMB'000	Fair value adjustment of equity investment at fair value through other comprehensive income RMB'000	Accruals RMB'000	Impairment of receivables and provision for inventories RMB'000	Deferred income RMB'000	Unrealised profit from intragroup transactions RMB'000	Deductible losses RMB'000	Total RMB'000
At 1 January 2020	207	77	3,269	6,279	540	6,124	1,897	18,393
Deferred tax credited/(charged) to the statement of profit or loss	(36)	–	4,001	892	(8)	745	1,554	7,148
Deferred tax charged to other comprehensive income	–	841	–	–	–	–	–	841
Exchange differences	–	–	(25)	(17)	–	–	(154)	(196)
Gross deferred tax assets at 31 December 2020	171	918	7,245	7,154	532	6,869	3,297	26,186

2019

	Lease liabilities RMB'000	Fair value adjustment of equity investment at fair value through other comprehensive income RMB'000	Accruals RMB'000	Impairment of receivables RMB'000	Deferred income RMB'000	Unrealised profit from intragroup transactions RMB'000	Deductible losses RMB'000	Total RMB'000
At 1 January 2019	–	–	4,424	6,302	931	5,356	–	17,013
Deferred tax credited/(charged) to the statement of profit or loss	207	–	(1,169)	(46)	(391)	768	1,778	1,147
Deferred tax charged to other comprehensive income	–	77	–	–	–	–	–	77
Exchange differences	–	–	14	23	–	–	119	156
Gross deferred tax assets at 31 December 2019	207	77	3,269	6,279	540	6,124	1,897	18,393

29. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The Group has tax losses of approximately RMB110,766,000 (2019: RMB61,537,000) arising in Mainland China that will expire in one to five years for offsetting against future taxable profits. The Group has tax losses arising in Hong Kong, UK and US of approximately RMB17,979,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary, Contamac. In the opinion of the Directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in Contamac in the U.K. for which deferred tax liabilities have not been recognised amounted to approximately RMB43,349,000 at 31 December 2020 (2019: RMB34,440,000).

30. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Government grants		
At 1 January	3,599	6,204
Additions	1,900	–
Released during the year	(1,955)	(2,605)
At 31 December	3,544	3,599

31. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
177,206,600 (2019: 177,845,300) ordinary shares of RMB1.00 each	177,207	177,845

31. SHARE CAPITAL (Continued)

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	160,045,300	160,045
A Shares issue (note 1)	17,800,000	17,800
At 31 December 2019 and 1 January 2020	177,845,300	177,845
Cancellation of repurchased H Shares (note 2)	(638,700)	(638)
At 31 December 2020	177,206,600	177,207

Note 1:

As approved by the document "Approval in Relation to Registration of the Initial Public Offering of Shanghai Haohai Biological Technology Co., Ltd" (Zheng Jian Xuke [2019] No. 1793) granted by China Securities Regulatory Commission, the Company was permitted to issue 17,800,000 ordinary shares (A Share) in RMB to the public at an issue price of RMB89.23 per share. The total amount raised amounted to RMB1,588,294,000. After deducting the issuing expenses, the proceeds amounted to approximately RMB1,529,269,000. The raised funds have been fully received, and have been verified by Ernst & Young Hua Ming LLP (Special General Partnership), which has issued the Capital Verification report (An Yong Hua Ming (2019) Yan Zi No. 60798948_B04). The proceeds are held in dedicated accounts of the Company. 17,800,000 A Shares of the Company were listed and commenced trading on the Sci-tech Innovation Board of the Shanghai Stock Exchange on 30 October 2019.

Note 2:

During the year ended 31 December 2020, the Company repurchased 1,223,200 H Shares as treasury shares, which accounted for approximately 0.6878% of the Company's total share capital, at a total consideration of approximately HK$55,957,000 (equivalent to approximately RMB50,953,000). 638,700 H Shares were cancelled on 3 July 2020. The remaining 584,500 H Shares, at a total consideration of approximately HK$31,236,000 (equivalent to approximately RMB28,263,000) were accounted as treasury shares as at 31 December 2020 and were cancelled on 19 March 2021.

32. RESERVES

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

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Company was transferred to statutory reserve funds which are restricted as to use.

33. PARTLY-OWNED SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

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

	2020	2019
Percentage of equity interest held by non-controlling interests:		
Hangzhou Aijinglun	45%	–
NIMO	40%	40%
Henan Simedice Biotechnologies Co. Ltd. ("Henan Simedice")	40%	40%
Contamac Group	30%	30%

	2020 RMB'000	2019 RMB'000
Accumulated balances of non-controlling interests:		
Hangzhou Aijinglun	13,919	–
NIMO	117,801	83,822
Henan Simedice	9,206	12,911
Contamac Group	102,568	101,840
	243,494	198,573

	2020 RMB'000	2019 RMB'000
Profit allocated to non-controlling interests:		
Hangzhou Aijinglun	(2,977)	–
NIMO	(868)	6,226
Henan Simedice	(3,705)	(2,089)
Contamac Group	3,818	1,461
	(3,732)	5,598

34. BUSINESS COMBINATION

On 24 April 2020, the Group acquired a 55% equity interest in Hangzhou Aijinglun from third parties. Hangzhou Aijinglun is engaged in the development and manufacture of PRL products. The acquisition was made as part of the Group's strategy to expand its product portfolio of the ophthalmology product line. The purchase consideration for the acquisition was RMB74,000,000, with RMB55,000,000 paid on or near the acquisition date (RMB45,000,000 was paid to the original shareholders of Hangzhou Aijinglun, and the RMB10,000,000 was paid to Hangzhou Aijinglun as capital injection), another RMB10,000,000 has been paid to Hangzhou Aijinglun as capital injection by the end of 2020, and the remaining RMB9,000,000 to be paid by the Group (RMB4,500,000 will be paid to the original shareholders of Hangzhou Aijinglun, and RMB4,500,000 will be paid to Hangzhou Aijinglun as shareholder's contribution), provided that Hangzhou Aijinglun obtains the registration certificate from the relevant authorities for certain new products under development within five years from the date of acquisition.

The fair values of the identifiable assets and liabilities of Hangzhou Aijinglun as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	2,059
Other intangible assets	15	13,650
Cash and bank balances		12,462
Trade receivables		47
Inventories		310
Other non-current assets		4,500
Prepayments, other receivables and other assets		11,069
Trade payables		(6)
Deferred tax liabilities	29	(2,153)
Other payables and accruals		(4,391)
Total identifiable net assets at fair value		37,547
Non-controlling interests		(16,896)
		20,651
Goodwill on acquisition	16	53,349
		74,000
Satisfied by		
Cash		55,000
Cash consideration payable		19,000
		74,000

34. BUSINESS COMBINATION (Continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB47,000 and RMB11,069,000 respectively. No impairment allowances were provided for trade receivables and other receivables as at the date of acquisition.

An analysis of the cash flows in respect of the acquisition of Hangzhou Aijinglun is as follows:

	RMB'000
Cash consideration paid	55,000
Cash and bank balances acquired	(12,462)
Net outflow of cash and cash equivalents included in cash flows from investing activities	42,538

Since the acquisition, Hangzhou Aijinglun has contributed RMB617,000 to the Group's revenue and incurred net loss of approximately RMB5,748,000 to the consolidated profit or loss for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,325,000,000 and RMB223,000,000, respectively.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financial activities

2020

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 31 December 2019	15,150	34,422
At 1 January 2020	15,150	34,422
Changes from financing cash flows	64,286	(17,022)
New leases	–	9,823
Covid-19-related rent concessions from lessors	–	(15)
Interest expense	–	1,449
Foreign exchange movement	(12)	–
At 31 December 2020	79,424	28,657

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Changes in liabilities arising from financial activities (Continued)

2019

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 31 December 2018	36,655	–
Effect of adoption of IFRS 16	–	43,683
At 1 January 2019	36,655	43,683
Changes from financing cash flows	(26,630)	(16,355)
New leases	–	5,031
Acquisition of a subsidiary (note 33)	4,761	–
Interest expense	–	2,063
Foreign exchange movement	364	–
At 31 December 2019	15,150	34,422

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	5,141	3,575
Within financing activities	17,022	16,355
	22,163	19,930

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank borrowings are included in note 28 to the consolidated financial statements.

37. COMMITMENTS

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

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Plant and machinery	**530,919**	490,779

38. RELATED PARTY TRANSACTIONS

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

	Notes	2020 RMB'000	2019 RMB'000
Purchases			
Haohai Technology (Changxing) Co., Ltd.	(i)	**2,221**	5,212
Sales			
Lifeline	(ii)	**670**	2,749

Notes:

(i) During the year, the Group purchased the production accessories of approximately RMB2,221,000 (2019: approximately RMB5,212,000) from Haohai Technology (Changxing) Co., Ltd., a company controlled by the Controlling Shareholders. The Directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the supplier, except that interest was not charged on overdue balances.

(ii) During the year, the Group sold semi buttons of USD99,000 (approximately RMB670,000) (2019: approximately RMB2,749,000) to the associate, Lifeline.

38. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

During the year, the Company rented the rooms in Shanghai with a total building area of 329.77 square metres at an annual rental fee of RMB350,000 (2019: RMB350,000) and the other rooms in Shanghai, China with the same total building area at an annual rental fee of RMB350,000 (2019: RMB350,000) with a lease period from 1 January 2018 to 31 December 2020 from Shanghai Haohai Chemical Company Limited and Ms. You Jie, respectively.

In January 2020, the Company made capital injection of RMB7,600,000 to Shanghai Lunsheng to acquire 19% equity interest of Shanghai Lunsheng. Shanghai Haoyang Enterprise Management Co., Ltd. ("Shanghai Haoyang"), a company controlled by the Controlling Shareholders, also made capital injection of RMB2,400,000 to Shanghai Lunsheng. Before the transaction, Shanghai Haoyang held 30.77% equity interest in Shanghai Lunsheng. The transaction constituted a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

(c) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Short term employee benefits	7,849	9,008
Pension scheme contributions	39	379
Total compensation paid to key management personnel	7,888	9,387

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of purchase from Haohai Technology (Changxing) Co., Ltd. above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss – Mandatorily designated as such RMB'000	Financial assets at fair value through profit or loss – Debt investments RMB'000	Financial assets at fair value through other comprehensive income – Equity investments RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	–	405,279	405,279
Trade and bills receivables	333,528	–	7,219	–	340,747
Financial assets at fair value through profit or loss	–	15,145	–	–	15,145
Financial assets included in prepayments, other receivables and other assets	11,653	–	–	–	11,653
Pledged deposits	50,963	–	–	–	50,963
Cash and bank balances	3,092,603	–	–	–	3,092,603
	3,488,747	15,145	7,219	405,279	3,916,390

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value RMB'000	Total RMB'000
Trade payables	28,032	–	28,032
Financial liabilities included in other payables and accruals	91,383	4,500	95,883
Interest-bearing bank and other borrowings	108,081	–	108,081
	227,496	4,500	231,996

39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2019

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income – equity investments RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	292,630	292,630
Trade and bills receivables	381,991	8,008	–	389,999
Financial assets included in prepayments, other receivables and other assets	10,452	–	–	10,452
Cash and bank balances	3,222,508	–	–	3,222,508
	3,614,951	8,008	292,630	3,915,589

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	36,786
Financial liabilities included in other payables and accruals	116,406
Interest-bearing bank and other borrowings	49,712
	202,904

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The corporate finance team headed by the chief financial officer (the "CFO") is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the CFO.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximately to fair values, are as follows:

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	**582**	653	**571**	646
Interest-bearing bank and other				
Financial liabilities included in other payables and accruals-contingent consideration	**4,500**	–	**4,500**	–

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	–	571	–	571

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	–	646	–	646

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	15,145	–	15,145
Trade and bills receivables	–	7,219	–	7,219
Equity investments designated at fair value through other comprehensive income	141,218	189,662	74,399	405,279
	141,218	212,026	74,399	427,643

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables	–	8,008	–	8,008
Equity investments designated at fair value through other comprehensive income	138,550	98,056	56,024	292,630
	138,550	106,064	56,024	300,638

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals-contingent consideration	–	4,500	–	4,500

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach etc. The fair value measurement of these financial instruments may involve unobservable inputs such as price to research and development costs ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

Unobservable inputs and sensitivity analysis for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to certain unlisted equity securities not quoted in an active market. For certain unlisted equity securities, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, etc., which requires the Group to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to research and development costs ratio, for each comparable company identified. An increase (decrease) in price to research and development costs ratio would result in a higher (lower) fair value. An increase (decrease) in liquidity discount would result in a lower (higher) fair value. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

41. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB13,873,000 (2019: RMB8,984,000). The Derecognised Bills had a maturity of one to seven months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group's foreign currency risk is not significant. Approximately 84% (2019: 88%) of the Group's sales were denominated in local currencies, which were the same as the units' functional currencies, while approximately 82% (2019: 79%) of the Group's costs were denominated in local currencies, which were the same as the units' functional currencies. The Group would reserve some foreign currencies to meet the requirement of payments, which resulted in an insignificant foreign currency risk for the Group. The Group's interest rate risk is not significant, which is due to the fact that the non-current portion of interest-bearing bank and other borrowings is subject to a fixed interest rate. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk as 7.27% (2019: 6.28%) and 23.6% (2019: 25.8%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

Maximum exposure and year-end staging as at 31 December 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020 and 31 December 2019. The amounts presented are gross carrying amounts for financial assets.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging as at 31 December 2020 (Continued)

As at 31 December 2020

	12-months ECLs	Lifetime ECLs	
		Simplified	
	Stage 1	approach	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	–	333,528	333,528
Financial assets included in prepayments, other receivables and other assets	4,653	–	4,653
	4,653	333,528	338,181

As at 31 December 2019

	12-months ECLs	Lifetime ECLs	
		Simplified	
	Stage 1	approach	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	–	381,991	381,991
Financial assets included in prepayments, other receivables and other assets	10,452	–	10,452
	10,452	381,991	392,443

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging as at 31 December 2020 (Continued)

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix at 31 December 2020 is set out below:

As at 31 December 2020

	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	5%	35%	67%	100%
Gross carrying amount (RMB'000)	335,888	16,949	7,579	6,521
Expected credit losses (RMB'000)	15,846	5,970	5,072	6,521

As at 31 December 2019

	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	5%	33%	64%	100%
Gross carrying amount (RMB'000)	389,818	15,352	4,303	5,231
Expected credit losses (RMB'000)	19,603	5,107	2,772	5,231

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging as at 31 December 2020 (Continued)

For the financial assets included in prepayments, other receivables and other assets to which the Group applies the general approach for impairment, information based on the provision matrix is set out below:

As at 31 December 2020

	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	3%	20%	50%	100%
Gross carrying amount (RMB'000)	3,794	693	838	2,521
Loss allowance provision (RMB'000)	114	139	419	2,521

As at 31 December 2019

	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	5%	20%	50%	100%
Gross carrying amount (RMB'000)	8,583	2,099	1,147	4,673
Loss allowance provision (RMB'000)	393	411	573	4,673

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2020

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	22,983	5,049	–	–	–	28,032
Financial liabilities included in other payables and accruals	91,383	–	–	4,500	–	95,883
Lease liabilities	–	2,468	6,398	13,827	8,457	31,150
Interest-bearing bank and other borrowings (other than lease liabilities)	–	15,611	67,913	584	–	84,108
	114,366	23,128	74,311	18,911	8,457	239,173

31 December 2019

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	30,416	6,370	–	–	–	36,786
Financial liabilities included in other payables and accruals	73,189	–	–	43,217	–	116,406
Lease liabilities	–	3,133	9,398	21,725	4,194	38,450
Interest-bearing bank and other borrowings (other than lease liabilities)	–	5,162	9,335	660	–	15,157
	103,605	14,665	18,733	65,602	4,194	206,799

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a debt to assets ratio, which is debt divided by the total assets. Debt includes total current liabilities and total non-current liabilities.

During the year, the Group's strategy was to maintain the debt to assets ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable debt to assets ratio to support its business. The debt to assets ratios at the end of the reporting periods are as follows:

	2020 RMB'000	2019 RMB'000
Total current liabilities	433,761	359,967
Total non-current liabilities	130,699	138,551
Debt	564,460	498,518
Total assets	6,298,705	6,151,871
Debt to assets ratio	9.0%	8.1%

43. EVENTS AFTER THE REPORTING PERIOD

On 21 February 2021, the Company entered into various agreements with shareholders of OHMK Medical Technology Co. Ltd. ("OHMK"), a China-incorporated company, under which the Company has agreed to purchase an aggregate of approximately 38.23% of the equity interests in OHMK for a consideration of RMB135,000,000 from two overseas private equity shareholders of OHMK ("PE Shareholders"), and then inject another RMB70,000,000 to OHMK as capital contribution ("Capital Injection"). After the Capital Injection, the Company will hold 63.64% of the total equity interests of OHMK and obtain a controlling interest in OHMK. Also, the Company agreed to put 3.64% of the equity interest of OHMK to a option fund for OHMK's employee share incentive plan during the years from 2021 to 2023. The purpose of the Transaction is to expand the Company's medical aesthetics business from "medical end" to "consumer end". As of the date of this report, OHMK is in the process of applying for the government pre-approval for the above equity purchase from the PE Shareholders and the relevant payment has not yet been made by the Company and hence the acquisition date was uncertain. Accordingly, the Group is still assessing the relevant financial impact on the Group.

On 3 March, 2021, the Group entered into a preferred stock and note purchase agreement with Eirion Therapeutics, Inc. ("Eirion"), a US-incorporated company, under which the Group agreed to pay USD9,500,000 in total (USD8,000,000 within the 10 business days of the signing date of the agreement and USD1,500,000 million on 1 June 2021) to subscribe unsecured promissory notes issued by Eirion, and then acquire Eirion's newly issued Series A Preferred Shares for a maximum of USD31,000,000 with Eirion's pre-investment valuation of USD190,000,000, provided that Eirion meets the various agreed transaction milestones. At the same time, the Company entered into two product license agreements with Eirion, under which Eirion agreed to authorise the Group to exclusively develop, sell, commercialize (including sublicensing) and sell the botulinum toxin product ET-01 for topical application, AI-09 for injectable botulinum toxin type A, and ET-02 for small molecule drug products for hair loss and graying in Mainland China, Hong Kong, Macao Special Administrative Region and Taiwan, and the Group will pay Eirion an upfront payment of USD8,000,000 for ET-01 and AI-09 products, an aggregated maximum of USD43,200,000 for R&D milestone payments and an aggregated maximum of USD444,000,000 for sales-based milestone payments for ET-01, AI-09 and ET-02 products, and 10-year royalty payments of the rates from 4% to 20% based on the annual net sales of ET-01, AI-09 and ET-02 products. As of the date of this report, the Group paid USD8,000,000 to Eirion to subscribe the promissory note and remaining transaction has not yet taken place and the relevant payment has not yet been made. Accordingly, the Group is still assessing the relevant financial impact on the Group.

43. EVENTS AFTER THE REPORTING PERIOD (Continued)

On 19 March 2021, the Group entered into an investment agreement with Shanghai Hengtai Vision Technology Co., Ltd. ("Hengtai Vision") and Jinhengtai (Xiamen) Trading Co., Ltd. ("Jinhengtai", the original shareholder), pursuant to which, the Group has agreed to purchase 10% equity interests of Hengtai Vision from Jinhengtai for a consideration of RMB15,000,000, and inject another RMB10,000,000 into Hengtai Vision as capital contribution (collectively, the "Transaction"). After the Transaction, the Group will hold 55% of the total equity interests of Hengtai and obtain a controlling interest in Hengtai Vision. At the same time, the Group entered into an Exclusive Distribution Agreement with Hengtai Optics Co., Ltd. ("Hengtai Optics") and Hengtai Vision, pursuant to which, Hengtai Optics will grant exclusive distribution rights of its high-end rigid gas permeable contact lenses for corneal refractive therapy (the "OK Lenses", under the brand name of "Maierkang myOK") to Hengtai Vision in the territory of mainland China for a period of 10 years, ending on 31 December 2030. Through the Transaction, the Group will further enrich its product portfolio in the field of myopia prevention and control, and consolidate and improve its competitiveness in the ophthalmology product line. As of the date of this report, the closing conditions stipulated in the investment agreement have not been fulfilled and no payment has been made yet, hence the Group has not yet acquired the equity interest of Hengtai Vision. Accordingly, the Group is still assessing the relevant financial impact on the Group.

Except for the transactions detailed elsewhere in these financial statements and the three investments set out in this note above, there was no material subsequent event undertaken by the Group after 31 December 2020.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	366,975	316,180
Right-of-use assets	137,089	139,825
Other intangible assets	1,082	1,579
Investments in subsidiaries	1,141,442	1,127,642
Investment in a joint venture	45,864	–
Equity investments designated at fair value through other comprehensive income	110,924	98,056
Deferred tax assets	4,692	2,669
Other non-current assets	4,320	7,195
Total non-current assets	1,812,388	1,693,146
CURRENT ASSETS		
Due from subsidiaries	1,644,369	1,064,131
Inventories	34,929	62,737
Trade and bills receivables	70,677	81,970
Prepayments, other receivables and other assets	15,412	6,072
Dividends receivable	50,000	–
Pledged bank deposits	216	–
Cash and bank balances	1,513,766	1,557,562
Total current assets	3,329,369	2,772,472
CURRENT LIABILITIES		
Due to subsidiaries	696,441	82,421
Trade payables	6,183	9,653
Other payables and accruals	148,624	84,041
Interest-bearing bank and other borrowings	51,185	1,268
Tax payable	4,724	–
Total current liabilities	907,157	177,383
NET CURRENT ASSETS	2,422,212	2,595,089
TOTAL ASSETS LESS CURRENT LIABILITIES	4,234,600	4,288,235
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	4,249	29
Deferred income	1,094	321
Total non-current liabilities	5,343	350
NET ASSETS	4,229,257	4,287,885
EQUITY		
Share capital	177,207	177,845
Treasury shares	(28,263)	–
Reserves (note)	4,080,313	4,110,040
TOTAL EQUITY	4,229,257	4,287,885

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2019	1,759,449	–	80,023	640,334	2,479,806
Profit for the year	–	–	–	200,563	200,563
Other comprehensive income for the year:					
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	(1,775)	–	–	(1,775)
Total comprehensive income for the year	–	(1,775)	–	200,563	198,788
Issue of shares	1,511,469	–	–	–	1,511,469
Dividends declared	–	–	–	(80,023)	(80,023)
Transfer from retained profits	–	–	8,900	(8,900)	–
Others	–	1,340	–	(1,340)	–
As at 31 December 2019 and 1 January 2020	3,270,918	(435)	88,923	750,634	4,110,040
Profit for the year	–	–	–	124,859	124,859
Other comprehensive income for the year:					
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	(8,489)	–	–	(8,489)
Total comprehensive income for the year	–	(8,489)	–	124,859	116,370
Retirement of H Shares	(22,052)	–	–	–	(22,052)
Dividends declared	–	–	–	(124,045)	(124,045)
Others	–	3,723	–	(3,723)	–
As at 31 December 2020	3,248,866	(5,201)	88,923	747,725	4,080,313

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

In this annual report, unless the context otherwise requires, the following expressions have the following meanings.

"A Share(s)"	ordinary shares in the share capital of the Company with a par value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the SSE and traded in RMB，including among others, ordinary shares issued under the A Share Offering
"A Share Offering"	the Company's initial public offering of 17.8 million A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange
"A Shareholder(s)"	holder(s) of A Shares
"Articles of Association"	the Articles of Association of the Company, as amended, revised or supplemented from time to time
"Board"	the board of Directors of the Company
"Company" or "Haohai Biological"	Shanghai Haohai Biological Technology Co., Ltd.* (上海昊海生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability and its H Shares and A shares are listed on the Hong Kong Stock Exchange (Stock Code: 6826) and the Sci-Tech Innovation Board of the SSE (Stock Code: 688366), respectively
"Company Law"	the Company Law of the People's Republic of China, as amended from time to time
"Contamac Holdings"	Contamac Holdings limited, established in UK on 13 October 2009. Since June 2017, the Company indirectly holds 70% of its equity interest
"CSRC"	China Securities Regulatory Commission
"Directors"	directors of the Company
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hangzhou Aijinglun"	Hangzhou Aijinglun Technology Co., Ltd., (杭州愛晶倫科技有限公司), a company established in the PRC in January 2015. Since April 2020, the Company holds 55% of its equity interest
"Haohai Holdings"	"Haohai Healthcare Holdings Co., Ltd. (昊海生物科技控股有限公司), a limited liability company established in Hong Kong, the PRC on 17 July 2015, which is a wholly-owned subsidiary of our Company

"Haohai Development"	Shanghai Haohai Medical Technology Development Co., Ltd. (上海昊海醫藥科技發展有限公司), a wholly-owned subsidiary of our Company
"Henan Universe"	Henan Universe Intraocular Lens Research and Manufacture Company, Ltd (河南宇宙人工晶狀體研製有限公司), a wholly-owned subsidiary of the Company
"Hengtai Vision"	Shanghai Hengtai Vision Technology Co., Ltd. (上海亨泰視覺科技有限公司), a company established in the PRC in July 2017. In March 2021, the Group entered into an investment agreement to purchase its equity interest and inject new capital, the Company will hold 55% of its equity interest after the transaction
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	the overseas-listed foreign share(s) in the share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Non-executive Director(s)"	the independent non-executive Director(s) of the Company
"NIMO"	Shenzhen New Industries Material of Ophthalmology Co., Ltd. (深圳市新產業眼科新技術有限公司), a company established in the PRC on 27 April 2006. Since November 2016, the Company holds 60% of its equity interest
"NMPA"	The National Medical Products Administration
"OHMK"	OHMK Medical Technology Co. Ltd. (歐華美科(天津)醫學科技有限公司), a company established in the PRC in May 2014. In February 2021, the Company entered into various agreements to purchase its equity interest and inject new capital, the Company will hold 63.64% of its equity interest after the transaction
"PRC", "China" or "People's Republic of China"	the People's Republic of China which, for the purpose of this report only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

"Qingdao Huayuan"	Qingdao Huayuan Fine Biological Product Co., Ltd. (青島華元精細生物製品有限公司), a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the 12-month period from 1 January 2020 to 31 December 2020
"Shanghai Qisheng"	Shanghai Qisheng Biologics Company Limited (上海其勝生物製劑有限公司), a wholly-owned subsidiary of the Company
"Shanghai Jianhua"	Shanghai Jianhua Fine Biological Products Company Limited (上海建華精細生物製品有限公司), a wholly-owned subsidiary of the Company
"Shanghai Likangrui"	Shanghai Likangrui Biological Engineering Company Limited (上海利康瑞生物工程有限公司), a wholly-owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	A Share(s) and/or H Share(s)
"Shareholder(s)"	A Shareholder(s) and/or H Shareholder(s)
"SSE"	the Shanghai Stock Exchange
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"STAR Market Listing Rules"	the Rules Governing the Listing of Securities on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, as amended from time to time
"Zhuhai Eyegood"	Eyegood Medical (Zhuhai) Co. Ltd. (珠海艾格醫療科技開發有限公司), which became a wholly-owned subsidiary of the Company in December 2017 and was absorbed and merged by NIMO in July 2020. The Company indirectly holds 60% of its equity interest since July 2020
"%"	per cent

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this annual report in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

"anti-adhesion"	prevention of fibrous bands formed between tissues and adjacent tissues or organs resulted from injuries during a surgery
"chitosan" (幾丁糖)	a class of polysaccharide without acetyl group or with partial acetyl group, dissolvable in acidic conditions
"clinical trial"	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
"EGF"	epidermal growth factor, is a polypeptide growth factor that stimulates epidermal and epithelial growth. It can promote growth of a wide of variety of cells *in vivo* and *in vitro*
"hemostasis"	the arrest of bleeding
"intraocular lens" or "IOL"	an artificial lens implanted in the eyes used to replace natural Lens and to treat cataracts or myopia
"medical chitosan" (醫用幾丁糖)	normally carboxyl-methylated chitosan which can be dissolved in water, regulated by National Medical Products Administration as a Class III medical device
"medical collagen sponge"	spongy material manufactured from bovine tendon by biological purification. It is used to fill operational cavity, wound hemostasis and wound healing
"medical sodium hyaluronate gel" (醫用透明質酸鈉凝膠)	sodium hyaluronate gel solution used for the ophthalmic surgery or anti-adhesive surgery, regulated by National Medical Products Administration as a Class III medical device
"ophthalmic viscoelastic device" or "OVD"	viscoelastic sodium hyaluronate solution used in ophthalmic surgery. It can play the role of cushion to deepen the anterior amber, which makes the operation convenient. It can also protect intraocular tissue and endothelial cell with improved success rate and reduced surgical complications. It is widely used in microsurgeries such as artificial contact lens implantation, penetrating keratoplasty surgery as well as ocular trauma
"Orthokeratology Lens"	a rigid gas permeable contact lenses for myopia control and vision correction function
"Phakic Refractive Lens" or "PRL"	a precise optical component that is surgically implanted into the eyes to achieve refractive correction
"recombinant human epidermal growth factor" or "rhEGF"	EGF manufactured specifically by the technology of recombinant genetic engineering in Escherichia coli fermentation
"sodium hyaluronate injection" (玻璃酸鈉注射液)	sodium hyaluronate gel solution used for the intra-articular injection, regulated by National Medical Products Administration as a prescription drug
"tissue filling"	a process to inject biomaterials under the skin and fill in the area