

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



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1 Tim Mei Avenue
Central, Hong Kong

The Directors
Shenzhen Hepalink Pharmaceutical Group Co., Ltd.
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited
CMB International Capital Limited

Dear Sirs,

We report on the historical financial information of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-134, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and the statement of financial position of the Company as at 31 December 2017, 2018 and 2019 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-134 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 June 2020 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 (“HKSIR 200”) *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical

Reporting accountants' responsibility—continued

Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2017, 2018 and 2019 and of the financial performance and cash flows of the Group for the years then ended in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
24 June 2020

I HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the years ended 31 December 2017, 2018 and 2019, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
REVENUE	5	2,828,225	4,799,807	4,612,105
Cost of sales		(1,976,442)	(2,926,275)	(2,939,916)
Gross profit		851,783	1,873,532	1,672,189
Other income and gains	6	209,701	308,150	833,775
Selling and distribution expenses		(192,201)	(371,710)	(411,318)
Administrative expenses		(435,629)	(497,735)	(521,039)
Impairment losses on financial assets		(10,884)	(12,454)	(737)
Other expenses		(2,707)	(366)	(569)
Finance costs	8	(183,268)	(229,207)	(275,198)
Share of profits and losses of associates		(79,710)	(305,003)	18,177
PROFIT BEFORE TAX	7	157,085	765,207	1,315,280
Income tax credit/(expense)	11	83,807	(148,244)	(271,382)
PROFIT FOR THE YEAR		<u>240,892</u>	<u>616,963</u>	<u>1,043,898</u>
Attributable to:				
Owners of the parent		238,904	640,194	1,059,700
Non-controlling interests		<u>1,988</u>	<u>(23,231)</u>	<u>(15,802)</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13			
Basic				
—for profit for the year		<u>RMB0.19</u>	<u>RMB0.51</u>	<u>RMB0.85</u>
Diluted				
—for profit for the year		<u>RMB0.19</u>	<u>RMB0.51</u>	<u>RMB0.85</u>

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	240,892	616,963	1,043,898
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/ income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations	(72,384)	73,202	57,335
Share of other comprehensive income of associates	—	—	478
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(72,384)	73,202	57,813
Other comprehensive (loss) /income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Net losses on equity investments designated at fair value through other comprehensive income	(180,501)	(190,852)	(51,598)
Remeasurement (losses)/gains on defined benefit pension schemes	(9,936)	5,380	(22,365)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(190,437)	(185,472)	(73,963)
Other comprehensive loss for the year, net of tax	(262,821)	(112,270)	(16,150)
Total comprehensive (loss)/ income for the year, net of tax	(21,929)	504,693	1,027,748
Attributable to:			
Owners of the parent	(21,314)	528,711	1,043,963
Non-controlling interests	(615)	(24,018)	(16,215)

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2017 RMB'000	2018 RMB'000	2019 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	2,080,291	2,554,239	2,688,232
Right-of-use assets	15	292,543	261,906	237,298
Goodwill	16	2,205,705	2,316,763	2,354,908
Other intangible assets	17	606,450	616,656	559,378
Investments in associates	18	641,979	562,490	1,349,772
Equity investments designated at fair value through other comprehensive income	20	550,363	608,785	627,397
Financial assets at fair value through profit or loss	21	961,863	931,367	1,228,171
Time deposits	28	490,909	127,510	—
Deferred tax assets	34	21,816	110,831	117,749
Other non-current assets	23	143,468	146,327	189,072
Total non-current assets		<u>7,995,387</u>	<u>8,236,874</u>	<u>9,351,977</u>
CURRENT ASSETS				
Inventories	24	1,353,592	1,646,559	2,363,168
Trade and bills receivables	25	703,202	1,084,489	1,282,125
Contract assets	26	11,389	17,384	31,186
Prepayments, other receivables and other assets	27	652,415	476,801	629,560
Due from related parties	46	50,285	44,468	315,672
Financial assets at fair value through profit or loss	21	293,185	266,293	87,876
Derivative financial instruments	22	43,150	77,174	24,768
Pledged deposits	28	6,141	3,837	61,568
Time deposits	28	2,369,640	464,299	127,510
Cash and cash equivalents	28	730,470	1,526,100	1,076,537
Total current assets		<u>6,213,469</u>	<u>5,607,404</u>	<u>5,999,970</u>
CURRENT LIABILITIES				
Trade and bills payables	29	162,474	205,273	228,661
Other payables and accruals	30	340,024	493,683	528,737
Contract liabilities	31	129,398	254,843	200,268
Interest-bearing bank and other borrowings	32	3,259,732	2,463,482	3,939,340
Tax payable		24,134	61,788	63,424
Due to related parties	46	2,122	1,180,701	4,151
Lease liabilities	36	28,968	30,809	31,980
Total current liabilities		<u>3,946,852</u>	<u>4,690,579</u>	<u>4,996,561</u>
NET CURRENT ASSETS		<u>2,266,617</u>	<u>916,825</u>	<u>1,003,409</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,262,004</u>	<u>9,153,699</u>	<u>10,355,386</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	1,824,333	2,449,442	2,354,653
Deferred income	33	42,345	31,254	20,816
Deferred tax liabilities	34	130,447	202,503	302,004
Long-term employee benefits	35	74,954	77,607	109,003
Other non-current liabilities		9,094	9,842	9,783
Lease liabilities	36	127,062	106,718	87,253
Total non-current liabilities		<u>2,208,235</u>	<u>2,877,366</u>	<u>2,883,512</u>
Net assets		<u>8,053,769</u>	<u>6,276,333</u>	<u>7,471,874</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	37	1,247,202	1,247,202	1,247,202
Reserves	38	6,584,962	4,852,410	6,101,158
Total equity attributable to owners of the parent		<u>7,832,164</u>	<u>6,099,612</u>	<u>7,348,360</u>
Non-controlling interests		221,605	176,721	123,514
Total equity		<u>8,053,769</u>	<u>6,276,333</u>	<u>7,471,874</u>

I HISTORICAL FINANCIAL INFORMATION—continued
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent												
	Share capital	Share premium*	Merger reserve*	Exchange fluctuation reserve*	Share option reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Defined benefit contribution reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
At 1 January 2017	1,247,202	4,218,797	245,358	99,339	33,937	337,422	(9,815)	—	482,057	1,499,481	8,153,778	219,980	8,373,758
Profit for the year	—	—	—	—	—	—	—	—	—	238,904	238,904	1,988	240,892
Other comprehensive income for the year:													
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	(180,501)	—	—	—	—	(180,501)	—	(180,501)
Exchange differences on translation of foreign operations	—	—	—	(69,781)	—	—	—	—	—	—	(69,781)	(2,603)	(72,384)
Remeasurement losses on defined benefit pension schemes	—	—	—	—	—	—	(9,936)	—	—	—	(9,936)	—	(9,936)
Total comprehensive (loss)/income for the year	—	—	—	(69,781)	—	(180,501)	(9,936)	—	—	238,904	(21,314)	(615)	(21,929)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	17	17
Increase in equity interest in non-wholly owned subsidiary	—	—	—	—	—	—	—	(2,225)	—	—	(2,225)	2,225	—
Transfer from retained profits	—	—	—	—	—	—	—	—	8,228	(8,228)	—	—	—
Dividend declared to shareholders	—	—	—	—	—	—	—	—	—	(311,800)	(311,800)	(2)	(311,802)
Others	—	—	—	—	—	—	13,725	—	—	—	13,725	—	13,725
At 31 December 2017	1,247,202	4,218,797	245,358	29,558	33,937	156,921	(19,751)	11,500	490,285	1,418,357	7,832,164	221,605	8,053,769

I HISTORICAL FINANCIAL INFORMATION—continued
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

Note	Attributable to owners of the parent												
	Share capital RMB'000 (Note 37)	Share premium* RMB'000	Merger reserve* RMB'000 (Note 38)	Exchange fluctuation reserve* RMB'000 (Note 38)	Share option reserve* RMB'000 (Note 38)	Fair value reserve of financial assets at fair value through other comprehensive income*			Statutory surplus reserve* RMB'000 (Note 38)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
						RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)					
At 31 December 2017 and 1 January 2018	1,247,202	4,218,797	245,358	29,558	33,937	156,921	(19,751)	11,500	490,285	1,418,357	7,832,164	221,605	8,053,769
Profit for the year	—	—	—	—	—	—	—	—	640,194	640,194	640,194	(23,231)	616,963
Other comprehensive income for the year:													
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	(190,852)	—	—	—	—	(190,852)	—	(190,852)
Exchange differences on translation of foreign operations	—	—	—	73,989	—	—	—	—	—	—	73,989	(787)	73,202
Remeasurement gains on defined benefit pension schemes	—	—	—	—	—	—	5,380	—	—	—	5,380	—	5,380
Total comprehensive income/(loss) for the year	—	—	—	73,989	—	(190,852)	5,380	—	640,194	528,711	528,711	(24,018)	504,693
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	45,124	—	45,124	45,124	85,362	130,486
Share of other reserves of associates	—	—	—	—	—	—	—	11,813	—	11,813	11,813	—	11,813
Equity-settled share option arrangements	—	—	—	—	—	—	—	240	—	240	240	204	444
Acquisition of a subsidiary	—	—	(2,293,416)	—	—	—	—	—	—	(2,293,416)	(2,293,416)	(106,584)	(2,400,000)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	152	152
Transfer of fair value reserve of equity investments at fair value through other comprehensive income	—	—	—	—	—	(14,995)	—	—	27,282	14,995	—	—	—
Transfer from retained profits	—	—	—	—	—	—	—	—	—	(56,124)	(56,124)	—	(56,124)
Dividend declared to shareholders	—	—	—	—	—	—	—	31,100	—	—	31,100	—	31,100
Others	—	—	—	—	—	(48,926)	(14,371)	99,777	517,567	1,990,140	6,099,612	176,721	6,276,333
At 31 December 2018	1,247,202	4,218,797	(2,048,058)	103,547	33,937	(48,926)	(14,371)	99,777	1,990,140	6,099,612	176,721	6,276,333	

I HISTORICAL FINANCIAL INFORMATION—continued
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent														
	Note	Share capital		Share premium*	Merger reserve*	Exchange fluctuation reserve*	Share option reserve*	Fair value reserve of financial assets		Defined benefit reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000					RMB'000	RMB'000						
At 31 December 2018 and 1 January 2019		1,247,202	4,218,797	(2,048,058)	103,547	33,937	(48,926)	(14,371)	99,777	517,567	1,990,140	6,099,612	176,721	6,276,333	
Profit for the year		—	—	—	—	—	(48,926)	—	—	—	1,059,700	1,059,700	(15,802)	1,043,898	
Other comprehensive income for the year:		—	—	—	—	—	—	—	—	—	—	—	—	—	
Share of other comprehensive income of associates		—	—	—	—	—	—	—	478	—	—	478	—	478	
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax		—	—	—	—	—	(51,598)	—	—	—	—	(51,598)	—	(51,598)	
Exchange differences on translation of foreign operations		—	—	—	57,748	—	—	—	—	—	—	57,748	(413)	57,335	
Remeasurement losses on defined benefit pension schemes		—	—	—	—	—	—	(22,365)	—	—	—	(22,365)	—	(22,365)	
Total comprehensive income/(loss) for the year		—	—	—	57,748	—	(51,598)	(22,365)	478	—	1,059,700	1,043,963	(16,215)	1,027,748	
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	—	6,469	—	—	6,469	8,209	14,678	
Share of other reserves of associates		—	—	—	—	—	—	—	11,089	—	—	11,089	—	11,089	
Equity-settled share option arrangements		—	—	—	—	—	—	—	172	—	—	172	148	320	
Deemed disposal of a subsidiary		—	—	—	—	—	—	—	—	—	—	—	(45,349)	(45,349)	
Transfer of fair value reserve of equity investments at fair value through other comprehensive income		—	—	—	—	—	20,692	—	—	—	(20,692)	—	—	—	
Other changes of investment in a subsidiary	46	—	—	—	—	—	—	—	252,399	14,662	(14,662)	252,399	—	252,399	
Transfer from retained profits		—	—	—	—	—	—	—	—	—	(124,720)	(124,720)	—	(124,720)	
Dividend declared to shareholders		—	—	—	—	—	—	—	59,376	—	—	59,376	—	59,376	
Others		—	—	—	—	—	(79,832)	(36,736)	429,760	532,229	2,889,766	7,348,360	123,514	7,471,874	
At 31 December 2019		1,247,202	4,218,797	(2,048,058)	161,295	33,937	(79,832)	(36,736)	429,760	532,229	2,889,766	7,348,360	123,514	7,471,874	

* These reserve accounts comprise the consolidated reserves of RMB6,584,962,000, RMB4,852,410,000 and RMB6,101,158,000 in the consolidated statements of financial position as of 31 December 2017, 2018 and 2019, respectively.

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		157,085	765,207	1,315,280
Adjustments for:				
Bank interest income	6	(137,740)	(69,456)	(45,673)
Finance costs	8	183,268	229,207	275,198
Share of profits and losses of associates		79,710	305,003	(18,177)
Dividend income from financial assets at fair value through profit or loss	6	(781)	(36,823)	(643)
Dividend income from financial assets designated at fair value through other comprehensive income	6	—	(3,694)	(16,541)
Gains on disposal of financial assets at fair value through profit or loss	6	(26,363)	(13,917)	(4,774)
Fair value losses/(gains) on derivative instruments	6	3,728	(30,490)	83,242
Fair value gains on financial assets at fair value through profit or loss	6	(46,757)	(8,191)	(199,726)
Gain on disposal of a subsidiary	6	—	(28,766)	—
Gain on deemed disposal of a subsidiary	6	—	—	(573,865)
Losses/(gains) on disposal of items of property, plant and equipment	6	383	(2,304)	(2,068)
Depreciation of property, plant and equipment	7	139,557	157,632	196,164
Depreciation of right-of-use assets	7	37,291	41,251	39,462
Amortisation of other intangible assets	7	45,559	51,799	52,100
Impairment losses on financial assets	7	10,884	12,454	737
Non—cash transaction in relation to investment	43	—	(256,564)	(85,907)
Foreign exchange losses/(gains), net	6	49,584	(70,545)	(32,072)
		<u>495,408</u>	<u>1,041,803</u>	<u>982,737</u>
Increase in inventories		(664,334)	(292,967)	(716,609)
Increase in trade and bills receivables		(199,902)	(388,816)	(193,195)
Increase in contract assets		(11,389)	(5,995)	(13,802)
(Increase)/decrease in prepayments, deposits and other receivables . .		(288,853)	119,924	(192,433)
(Increase)/decrease in amounts due from related parties		(7,487)	5,817	(18,805)
Increase in trade and bills payables		60,990	42,800	23,388
Increase in other payables and accruals		149,451	85,527	101,852
Increase/(decrease) in amounts due to related parties		2,124	2,578	(550)
Increase/(decrease) in contract liabilities		87,587	95,124	(54,575)
Decrease in deferred income		(10,903)	(22,037)	(10,438)
Increase in net defined benefit retirement obligation		11,204	2,653	31,396
(Increase)/decrease in pledged deposits		(498)	2,304	(57,731)
Cash (used in)/generated from operations		(376,602)	688,715	(118,765)
Bank interest income		34,810	91,952	94,520
Income tax paid		(51,682)	(107,879)	(169,143)
Net cash flows (used in)/from operating activities		<u>(393,474)</u>	<u>672,788</u>	<u>(193,388)</u>

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Notes	Year ended 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend income from financial assets at fair value through profit or loss		238	38,994	643
Dividend income from equity investments designated at fair value through other comprehensive income		—	—	16,541
Dividend received from an associate		—	—	21,787
Investment income received from financial assets at fair value through profit or loss		24,377	6,685	16,436
Proceeds from disposal of financial assets at fair value through profit or loss		1,938,515	788,618	1,841,626
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		—	31,018	17,053
Purchases of derivative instruments		(27,154)	(3,534)	(30,836)
Purchases of property, plant and equipment		(621,524)	(498,797)	(359,607)
Purchases of other intangible assets		(18,276)	(36,212)	(2,469)
Investments in associates		(439,120)	(53,550)	(75,127)
Purchase of financial assets at fair value through profit or loss		(2,008,259)	(813,916)	(1,767,231)
Purchases of equity investments designated at fair value through other comprehensive income		(15,948)	(31,863)	—
Purchases of debt investment		—	—	(73,440)
Increase in an amount due from a related party		(43,287)	—	—
Proceeds from disposal of items of property, plant and equipment		1,400	1,081	23
Acquisition of a subsidiary		(8,750)	—	—
Proceeds from disposal of subsidiaries	42	—	27,172	(75,898)
Decrease in time deposits		922,492	2,268,740	464,299
Interest received from time deposits		38,099	111,452	7,903
Net cash flows (used in)/from investing activities		(257,197)	1,835,888	1,703

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Notes	Year ended 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans and other borrowings		3,400,903	3,916,955	5,973,986
Repayment of bank loans and other borrowings		(2,365,726)	(4,205,169)	(4,669,869)
Interest on bank loans and other borrowings paid		(180,920)	(224,628)	(247,072)
Contribution from the non-controlling shareholders		17	96,861	14,544
Dividends paid		(311,800)	(56,124)	(124,720)
Acquisition of subsidiaries under common control		—	(1,224,000)	(1,176,000)
Principal and interest elements of lease payments		(39,172)	(36,370)	(39,418)
Net cash flows from/(used in) financing activities		503,302	(1,732,475)	(268,549)
NET (DECREASE)/INCREASE IN CASH AND CASH				
EQUIVALENTS		(147,369)	776,201	(460,234)
Cash and cash equivalents at beginning of year		882,376	730,470	1,526,100
Effect of foreign exchange rate changes, net		(4,537)	19,429	10,671
CASH AND CASH EQUIVALENTS AT END OF YEAR		730,470	1,526,100	1,076,537
ANALYSIS OF BALANCES OF CASH AND CASH				
EQUIVALENTS				
Cash and bank balances	28	529,470	1,226,000	1,076,537
Non-pledged time deposits with original maturity of less than three months	28	201,000	300,100	—
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	28	730,470	1,526,100	1,076,537

I HISTORICAL FINANCIAL INFORMATION—continued

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2017 RMB'000	2018 RMB'000	2019 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	705,030	1,135,646	1,228,890
Right-of-use assets	15	114,991	111,013	121,008
Other intangible assets	17	9,788	8,782	8,578
Investments in associates		555,817	375,798	625,279
Interests in subsidiaries	19	2,620,191	3,195,069	3,209,995
Equity investments designated at fair value through other comprehensive income	20	281,583	69,423	31,863
Financial assets at fair value through profit or loss	21	246,150	303,848	473,268
Time deposits	28	490,909	127,510	—
Deferred tax assets	34	—	57,122	37,581
Other non-current assets	23	37,797	6,145	76,700
Total non-current assets		<u>5,062,256</u>	<u>5,390,356</u>	<u>5,813,162</u>
CURRENT ASSETS				
Inventories	24	429,866	363,369	781,290
Trade and bills receivables	25	174,840	129,741	92,076
Prepayments, other receivables and other assets	27	523,195	316,846	474,267
Due from related parties		1,207,755	2,281,000	2,698,094
Financial assets at fair value through profit or loss	21	253,005	204,004	30,053
Derivative financial instruments	22	43,150	77,174	24,768
Time deposits	28	2,369,640	463,299	127,510
Cash and cash equivalents	28	367,389	1,033,773	661,877
Total current assets		<u>5,368,840</u>	<u>4,869,206</u>	<u>4,889,935</u>
CURRENT LIABILITIES				
Trade and bills payables	29	6,516	13,672	13,583
Other payables and accruals	30	114,713	207,365	170,765
Contract liabilities	31	—	6,690	—
Interest-bearing bank and other borrowings	32	1,361,048	1,032,400	2,402,293
Tax payable		11,396	52,401	4,381
Due to related parties		120,285	1,509,833	127,782
Lease liabilities	36	1,401	2,086	4,403
Total current liabilities		<u>1,615,359</u>	<u>2,824,447</u>	<u>2,723,207</u>
NET CURRENT ASSETS		<u>3,753,481</u>	<u>2,044,759</u>	<u>2,166,728</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,815,737</u>	<u>7,435,115</u>	<u>7,979,890</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	992,787	1,539,888	1,764,046
Deferred income	33	10,254	4,664	3,975
Deferred tax liabilities	34	10,642	—	—
Lease liabilities	36	20,146	19,618	31,611
Total non-current liabilities		<u>1,033,829</u>	<u>1,564,170</u>	<u>1,799,632</u>
Net assets		<u>7,781,908</u>	<u>5,870,945</u>	<u>6,180,258</u>
EQUITY				
Share capital	37	1,247,202	1,247,202	1,247,202
Reserves	38	6,534,706	4,623,743	4,933,056
Total equity		<u>7,781,908</u>	<u>5,870,945</u>	<u>6,180,258</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (hereafter, the "PRC") on 21 April 1998. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 002399.SZ) on 6 May 2010. The registered address of the office of the Company is No.21 Langshan Road, Nanshan District, Shenzhen. The Company is ultimately controlled by Mr. Li Li and Ms. Li Tan who are acting in concert.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in biopharmaceutical production, biopharmaceutical services, biopharmaceutical trading and biopharmaceutical research and development in Asia, Europe, North America and Australia, and investment business in Asia and North America.

As of the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
成都深瑞畜產品有限公司 Chengdu Sunrace Co., Ltd.*	(a)	PRC/Mainland China 19 November 2009	RMB 200,000,000	96%	—	Production and sale of heparin sodium
山東瑞盛生物技術有限公司 Shandong Ruisheng Biotechnology Co., Ltd.*	(a)	PRC/Mainland China 15 July 2010	RMB 30,000,000	100%	—	Production and sale of heparin sodium
深圳朋和物業管理有限公司 Shenzhen Penghe Property Management Co., Ltd.*	(a)	PRC/Mainland China 13 June 2011	RMB 132,000,000	55%	—	Property management operation
深圳市坪山新區海普瑞藥業有限公司 Shenzhen Pingshan New District Hepalink Pharmaceutical Co., Ltd.*	(a)	PRC/Mainland China 29 July 2013	RMB 120,000,000	100%	—	Biopharmaceutical production; biopharmaceutical services; and biopharmaceutical R&D
深圳市德康投資發展有限公司 Shenzhen Dekang Investment Development Co., Ltd.*	(a)	PRC/Mainland China 23 March 2015	RMB 10,000,000	100%	—	Equity investment; investment management and consulting
深圳市返璞生物技術有限公司 Shenzhen Fanpu Biotechnology Co., Ltd.*	(a)	PRC/Mainland China 25 February 2015	RMB 1,000,000	66%	—	Biopharmaceutical technology development and consulting
海普瑞（香港）有限公司 Hepalink (Hong Kong) Limited*	(b)	Hong Kong 23 November 2010	HK 330,221,445	100%	—	Investment holding; trading of medical products
Hepalink Europe AB	(g)	Sweden 1 February 2010	SEK 100,000	—	100%	Investment holding

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hepalink USA INC.	(g)	USA 25 October 2013	10,000 shares	100%	—	Production and sale of active pharmaceutical ingredients
SPL Acquisition Corp. (“SPL”)	(c)	USA 13 July 2006	500,000 shares	—	100%	Production of active pharmaceutical ingredients; manufacture of pancreatin
Scientific Protein Laboratories LLC	(g)	USA 22 January 2004	1,000 shares	—	100%	Biopharmaceutical production and sales
Mobren Logistics L.L.C.	(g)	USA 22 December 2003	1 share	—	100%	Biopharmaceutical production and sales
Mobren Transport Inc.	(g)	USA 23 December 1997	1,000 shares	—	100%	Biopharmaceutical production and sales
Novahealth Biosystems, LLC	(g)	USA 24 March 2016	1 share	—	100%	Biopharmaceutical R&D
Pharma Bridge International LLC	(g)	USA 28 November 2012	1 share	—	100%	Biopharmaceutical sales
SPL Distribution Holdings LLC	(g)	USA 26 December 2017	1 share	—	100%	Biopharmaceutical sales
SPL Distribution LLC	(g)	USA 26 December 2017	1 share	—	100%	Biopharmaceutical sales
Cytovance Biologics, Inc	(c)	USA 19 September 2005	5,000 shares	—	100%	Biopharmaceutical contract manufacturing and development
深圳市北地奧科技開發有限公司 Shenzhen Beidi Aoke Technology Development Co., Ltd.*	(a)	PRC/Mainland China 19 July 2002	RMB 10,000,000	100%	—	Biopharmaceutical technology development
深圳楓海資本股權投資基金合夥企 業（有限合夥） Shenzhen Maple Sea Capital Equity Investment Fund Partnership (Limited Partnership)*	(g)	PRC/Mainland China 10 April 2015	RMB 250,000,000	99%	—	Equity investment; venture investment; investment consulting and management
深圳昂瑞生物醫藥技術有限公司 Shenzhen OncoVent Biomedical Technology Co., Ltd.*	(a)	PRC/Mainland China 26 July 2016	USD9,259,300	54%	—	Biopharmaceutical R&D

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
OncoVent USA Inc.	(g)	USA 11 August 2016	20,000 shares	—	54%	Biopharmaceutical R&D
深圳市瑞迪生物醫藥有限公司 Shenzhen Arimab Biomedical Co., Ltd.*	(d)	PRC/Mainland China 2 July 2018	USD14,117,647	51%	—	Biopharmaceutical production, sales and R&D
Arimab USA Inc.	(f)	USA 10 December 2018	100 shares	—	51%	Biopharmaceutical R&D
深圳市多普樂實業發展有限公司 Shenzhen Topknow Industrial Development Co., Ltd.*	(e)	PRC/Mainland China 7 June 2000	RMB 230,000,000	100%	—	Biopharmaceutical R&D
深圳市天道醫藥有限公司 Shenzhen Techdow Pharmaceutical Co., Ltd.*	(e)	PRC/Mainland China 29 June 2004	RMB 150,000,000	—	100%	Biopharmaceutical R&D
Techdow (Hong Kong) Limited	(b)	Hong Kong 22 May 2013	HK 233,960,000	—	100%	Investment holding; trading of medical products
Techdow Europe AB	(g)	Sweden 12 June 2014	SEK100,000	—	100%	Trading of medical products
宇科（上海）醫藥科技有限公司 Histar (Shanghai) Co., Ltd.*	(a)	PRC/Mainland China 5 March 2012	RMB29,192,000	—	100%	Provision of services on pharmaceutical related activities
Techdow Pharma Poland Sp.zo.o.	(g)	Poland 12 October 2016	PLN50,000	—	100%	Trading of medical products
Techdow Pharma Netherlands B.V.	(g)	Netherlands 6 June 2017	EUR480	—	100%	Trading of medical products
TD Pharma B.V.	(g)	Netherlands 22 November 2016	EUR480	—	100%	Investment holding
Techdow Pharma England Limited	(g)	England 6 December 2016	EUR1,000	—	100%	Trading of medical products
Techdow Pharma Spain,S.L.	(g)	Spain 23 January 2017	EUR3,000	—	100%	Trading of medical products
Techdow Pharma Germany GmbH	(g)	Germany 13 December 2016	EUR25,000	—	100%	Trading of medical products
Techdow Pharma Italy S.R.L.	(g)	Italy 4 April 2017	EUR10,000	—	100%	Trading of medical products
Techdow Pharma France SARL	(g)	France 5 June 2017	EUR5,000	—	100%	Trading of medical products
Techdow Pharma Switzerland GmbH	(g)	Switzerland 23 March 2017	CHF20,000	—	100%	Trading of medical products

* The English names of these subsidiaries registered in the PRC represent the translated names of these companies as no English names have been registered.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2017 and 2018 prepared in accordance with PRC accounting principles and regulations were audited by RuiHua Certified Public Accountants, a certified public accounting firm registered in the PRC.
- (b) The statutory financial statements of these entities for the years ended 31 December 2017 and 2018 prepared in accordance with Hong Kong Financial Reporting Standards were audited by CH CPA & Co., a certified public accounting firm registered in Hong Kong.
- (c) The statutory financial statements of SPL Acquisition Corp. and Cytovance Biologics, Inc. for the years ended 31 December 2017 and 2018 prepared in accordance with the accounting principles generally accepted in the United States of America (the “US GAAP”) were audited by RSM US LLP, a certified public accountant registered in the USA.
- (d) The entity was established in 2018. The statutory financial statements for the period from their respective dates of establishment to 31 December 2018 prepared in accordance with PRC accounting principles and regulations were audited by RuiHua Certified Public Accountants, a certified public accounting firm registered in the PRC.
- (e) These entities have not appointed an auditor to issue statutory financial statements for the year ended 31 December 2017. The statutory financial statements of these entities for the year ended 31 December 2018 prepared in accordance with PRC accounting principles and regulations were audited by RuiHua Certified Public Accountants, a certified public accounting firm registered in the PRC.
- (f) The entity was established in 2018 and the entity has not appointed an auditor to issue statutory financial statements for the year ended 31 December 2018.
- (g) These entities have not appointed auditors to issue statutory financial statements for the years ended 31 December 2017 and 2018.

The changes in the Company’s subsidiaries during the Relevant Periods are as follows:

The following companies were disposed/deem disposed and cancelled by the Group during the Relevant Periods. Details in relation to the disposal are set out in note 42 and note 18 to the Historical Financial Information. The financial results of these companies were included in the Group’s consolidated financial statements until the date of disposal.

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
成都市海通藥業有限公司 Chengdu Hepatunn Pharmaceutical Co., Ltd*	PRC/Mainland China 7 December 2010	RMB 40,000,000	85%	—	Biopharmaceutical production, sales and R&D
Hightide Therapeutics, Inc	Cayman Islands 28 February 2018	USD 50,000	55%	—	Biopharmaceutical R&D
Hightide Therapeutics (Hong Kong) Limited	Hong Kong 9 April 2018	1 share	—	55%	Biopharmaceutical R&D
Hightide Therapeutics	British Virgin Islands 16 March 2018	100 shares	—	55%	Biopharmaceutical R&D
深圳君聖泰生物技術有限公司 Shenzhen Hightide Biopharmaceutical Co., Ltd*	PRC/Mainland China 15 November 2011	RMB 42,000,000	—	55%	Biopharmaceutical R&D
上海君聖泰生物技術有限公司 Shanghai Hightide Biopharmaceutical Co., Ltd*	PRC/Mainland China 14 March 2014	RMB 5,000,000	—	55%	Biopharmaceutical R&D
Hightide Biopharma Pty Ltd.	Australia 11 June 2015	AUD 1,000	—	55%	Biopharmaceutical R&D
深圳君聖康生物技術有限公司 Shenzhen Junshengkang Biopharmaceutical Co., Ltd.*	PRC/Mainland China 21 July 2015	RMB 5,000,000	—	55%	Biopharmaceutical R&D

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
H3 Life Science Corporation	USA 27 September 2011	100 shares	—	100%	Biopharmaceutical production, sales and R&D
Histar PTE. Ltd.	Singapore 11 October 2011	SGD 200,000	100%	—	Biopharmaceutical sales and R&D

* The English names of these subsidiaries registered in the PRC represent the translated names of these companies as no English names have been registered.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”).

All IFRSs effective for the accounting period commencing on/before 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.1 BASIS OF PREPARATION—continued*****Basis of consolidation—continued***

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling 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.

On 31 May 2018, the Group acquired the entire equity interest in Shenzhen Topknow Industrial Development Co., Ltd. As both the Company and Shenzhen Topknow Industrial Development Co., Ltd. are ultimately controlled by Mr. Li Li and Ms. Li Tan, the Company applied the pooling of interests method, which involves incorporating the financial statement items of the combining entities or businesses which underwent the business combination under common control as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. Accordingly, the consolidated financial statements are prepared as if Shenzhen Topknow Industrial Development Co., Ltd. had been combined throughout the Relevant Periods. The business combination is further detailed in note 41 to the Historical Financial Information.

2.2 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 the Historical Financial Information.

Amendments to IFRS 3	<i>Definition of a Business¹</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform¹</i>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material¹</i>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued**

- 1 Effective for annual periods beginning on or after 1 January 2020
- 2 Effective for annual periods beginning on or after 1 January 2021
- 3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will not have significant effect on the Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Investments in associates**

An associate is an entity in which the Group has a long-term interest of generally but not necessary 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 over those policies.

The Group's investments in associates are stated in the consolidated statements 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 is included in the consolidated statements of profit or loss and consolidated statements of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associates, the Group measures and recognises any retained investments at their fair values. Any difference between the carrying amounts and the fair values of the retained investment and proceeds from disposal is recognised in profit or loss.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method except for business combination under common control. 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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Business combinations and goodwill—continued

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.

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 recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination within all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity. Contingent consideration from the business combination under common control is recognised in 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.

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. The recoverable amount of the CGUs

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Business combinations and goodwill—continued

has been determined based on the higher of value in use calculation (“VIU”) and fair value less costs of disposal (“FVLCD”). In measuring VIU, the Group base cash flow projections on the most recent financial budgets/forecasts covering a period of five years, or a period longer than five years if it is justifiable, which take into account the length of the post projection period for the cash flow into perpetuity, and this shall be achieved by identifying a ‘steady state’ set of assumptions for the cash flows and applying a terminal value multiple to those cash flows. 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 equity investments designated at fair value through other comprehensive income, derivative financial instruments and financial assets at fair value through profit or loss at the end of each Relevant 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.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Fair value measurement—continued

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 of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial 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 ("FVLCD"), 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 the statements of 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 of the Relevant Periods 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/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

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;

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Related parties—continued

- (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 personal services to the Group or to the parent of the Group.

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 the statement of 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 its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.375%-4.75%
Machine equipment	19%-9.5%
Motor vehicles	19%-9.5%
Other equipment	19%-9.5%
Leasehold improvements	2.326%-33.3%

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 the statement of 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 a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Property, plant and equipment and depreciation—continued

capitalised borrowing costs on related borrowed funds 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.

Other intangible assets (other than goodwill)

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

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortised. The useful life of other intangible assets 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 licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 20 years.

Computer software

Acquired computer software is stated at historical cost less amortization. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful life of 3 to 10 years.

Trademarks

Trademarks are initially recognised and measured at costs incurred to register. The costs are amortised on the straight-line basis over their estimated useful lives of 10 years.

Proprietary technologies

Proprietary technologies invested by minority shareholders are recognised at fair value assessed at the investment day or cost of getting the medicine licences from the related authorities. Proprietary technologies are amortised on the straight-line basis over the respective estimated useful lives of 10 to 30 years, and the useful lives of the proprietary technologies are assessed by the Group after considering the useful lives of similar technologies and the market condition.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Other intangible assets (other than goodwill)—continued*Brands*

Brands acquired in a business combination are recognised at fair value at the acquisition date. The brands have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 15 years for the brands.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 15 years for the customer relationships.

The estimated useful life of other intangible assets is determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Research and development costs

All research costs are charged to the statement of 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 Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., 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. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Leases—continued*Group as a lessee—continued**(a) Right-of-use assets—continued*

located. 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:

Properties 6 to 15 years

Equipment 2 to 5 years

Motor vehicles 2 to 5 years

Land use rights 30 to 40 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 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.

(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 machinery and equipment (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 office equipment and laptop computers 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**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, 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 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Financial assets—continued*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 the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss 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.

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 the statement of 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 in the statement of profit or loss 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.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**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 its 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.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Impairment of financial assets—continued*General approach—continued*

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.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider 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.

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 which apply the simplified approach as detailed below.

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.

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Financial liabilities—continued*Initial recognition and measurement—continued*

The Group's financial liabilities include trade and bills payables, other payables, interest-bearing bank and other borrowings, amounts due to related parties and lease liabilities.

Subsequent measurement

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

(i) Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and 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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization 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 amortization is included in finance costs in the statement of profit or loss.

(ii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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 the statement of 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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Financial liabilities—continued*Offsetting of financial instruments—continued*

amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as warrants. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out 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 statements 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 cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Provisions—continued

obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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 each of the Relevant Periods, 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 each of the Relevant Periods 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 and associates, 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 carry forward 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 carry forward 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 and associates, 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.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods 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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Income tax—continued

are reassessed at the end of each of the Relevant Periods 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 each of the Relevant Periods.

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. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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 or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Revenue recognition—continued*Revenue from contracts with customers—continued*

contract inception. When the contract contains a financing component which provides the Group 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.

(a) Sale of products

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

Some contracts for the sale of products provide customers with rights of return. The rights of return give rise to variable consideration.

(b) Contract development and manufacturing organization (“CDMO”) services

The Group earns revenues by providing research services to its customers through Fee-for-service (“FFS”) contracts. Contract duration ranges from a few months to years. Under the FFS model, the contracts usually have multiple task units, which are generally in the form of technical laboratory reports and/or samples, each of which is with an individual selling price specified within the contract. The Group identifies each task unit as a separate performance obligation. The revenue is recognised over time, as the Group’s performance has created an asset with no alternative use and the Group has an enforceable right for payments for performance completed to date. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using cost-to-cost (input method).

Under the input method, the Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred.

The Group also enters into commercial manufacturing contracts, and engages in manufacturing and sale of products under customers’ specific order. The Group recognised revenue at a point in time upon acceptance of the deliverable products under customers’ specific order.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Revenue recognition—continued*Other income—continued*

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.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

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).

Employee Benefits*Share-based payments*

The Company operates share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations. The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Cash-settled scheme

The cost of cash-settled transactions is measured initially at the best estimate of the settlement amounts at the settlement date, taking into account the terms and conditions upon which the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Employee Benefits—continued*Cash-settled scheme—continued*

instruments were granted (note 35). The best estimate of the settlement amounts is expensed over the period until the vesting date with recognition of a corresponding liability. The liability should be spread on a straight-line basis over the full vesting period. The cumulative expense recognised for cash-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest. The liability is measured at the end of each reporting period up to and including the settlement date, with changes in best estimate of the settlement amounts at the settlement date recognised in the statement of profit or loss.

Pension scheme

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

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

Housing fund—Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "selling and distribution expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to the past service provided by employees, or the gain or loss on curtailment, is recognised as an expense

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Employee Benefits—continued*Defined benefit retirement plan obligations—continued*

in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

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 capitalization 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 12 to the Historical Financial Information.

Foreign currencies

The Historical Financial Information is 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 currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued**Foreign currencies—continued

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 and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB 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 the statement of profit or loss.

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 exchange rates ruling at the dates of the cash flows. 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 Historical Financial Information requires management to make judgments, 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES—continued**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 Historical Financial Information:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- (a) Determining the timing of satisfaction of performance obligations

The Group has different contractual arrangements with different customers. In determining the timing of satisfaction of performance obligations, management reviews the contract terms of each individual contract.

For certain types of revenue under the FFS model, the directors of the Company have determined that performance obligations are satisfied over time. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to certain types of revenue under the FFS model create an enforceable right to payment for the Group.

- (b) Determining the method for measuring progress towards complete satisfaction of performance obligations

Depending on which better depicts the transfer of value to the customer, the directors of the Company make judgement to measure the progress of the projects using input method.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is 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 is 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 at 31 December 2017, 2018 and 2019 were RMB2,205,705,000, RMB2,316,763,000, and RMB2,354,908,000, respectively. Further details are given in note 16 to the Historical Financial Information.

Post-employment benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Discount rate is one of the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES—continued**Estimation uncertainty—continued*Post-employment benefit obligations—continued*

assumptions used in determining the net cost (income) for pensions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers using market yields at the end of each of the Relevant Period on high quality United States corporate bonds of SPL Acquisition Corp., which is also the currency that benefits will be paid, and make sure terms of corporate bonds will match the estimated term of defined benefit plan.

Other key assumptions for pension obligations are partially based on current market conditions.

Provision for expected credit losses of trade and other 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, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, 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 Group's trade receivables and other receivables is disclosed in notes 25 and 27 to the Historical Financial Information, respectively.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses at 31 December 2017, 2018 and 2019 were RMB76,693,000, RMB26,079,000, and RMB36,567,000, respectively. The amounts of unrecognised tax losses at 31 December 2017, 2018 and 2019 were RMB262,044,000, RMB449,142,000, and RMB475,134,000, respectively. Further details are given in note 34 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES—continued**Estimation uncertainty—continued*Fair value of unlisted equity investments*

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 48 to the Historical Financial Information. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level II and III. The fair values of the unlisted equity investments at 31 December 2017, 2018 and 2019 were RMB1,012,563,000, RMB1,435,730,000 and RMB1,828,297,000, respectively. Further details are given in note 20 and 21 to the Historical Financial Information.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs as detailed in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, the discount rates to be applied and the expected period of benefits. The best estimates of the carrying amount of capitalised development costs at 31 December 2017, 2018 and 2019 were RMB12,644,000, RMB15,376,000 and RMB11,091,000, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) The finished dose pharmaceutical products segment includes enoxaparin sodium injection and heparin sodium injection.
- (b) The active pharmaceutical ingredients segment includes heparin sodium active pharmaceutical ingredients, and enoxaparin sodium active pharmaceutical ingredients.
- (c) The CDMO segment includes R&D, manufacturing, quality management, program management and commercial manufacture under customers' specific order.
- (d) The "others" segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that other income and gains, selling and distribution expenses, administrative expenses, impairment losses on financial assets, other expenses, finance costs and share of profits and losses of associates are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 31 December 2017

<u>Segments</u>	<u>Finished dose pharmaceutical products</u>	<u>Active pharmaceutical ingredients</u>	<u>CDMO</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	381,197	1,846,129	324,308	276,591	2,828,225
Intersegment sales	<u>211,666</u>	<u>382,852</u>	<u>—</u>	<u>102,431</u>	<u>696,949</u>
	592,863	2,228,981	324,308	379,022	3,525,174
<u>Reconciliation:</u>					
Elimination of intersegment sales					<u>(696,949)</u>
Revenue from contracts with customers					<u>2,828,225</u>
Segment results:	250,245	683,293	43,530	(40,258)	936,810
<u>Reconciliation:</u>					
Elimination of intersegment results					(85,027)
Other income and gains					209,701
Selling and distribution expenses					(192,201)
Administrative expenses					(435,629)
Impairment losses on financial assets					(10,884)
Other expenses					(2,707)
Finance costs					(183,268)
Share of profits and losses of associates					<u>(79,710)</u>
Group's profit before tax					<u><u>157,085</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Segment revenue and results—continued**For the year ended 31 December 2018**

<u>Segments</u>	<u>Finished dose pharmaceutical products</u> RMB'000	<u>Active pharmaceutical ingredients</u> RMB'000	<u>CDMO</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
Segment revenue:					
Sales to external customers	1,045,643	2,752,386	548,469	453,309	4,799,807
Intersegment sales	<u>396,369</u>	<u>1,352,093</u>	<u>—</u>	<u>283,861</u>	<u>2,032,323</u>
	1,442,012	4,104,479	548,469	737,170	6,832,130
<u>Reconciliation:</u>					
Elimination of intersegment sales					<u>(2,032,323)</u>
Revenue from contracts with customers					<u>4,799,807</u>
Segment results:	576,476	1,230,950	75,051	173,889	2,056,366
<u>Reconciliation:</u>					
Elimination of intersegment results . . .					(182,834)
Other income and gains					308,150
Selling and distribution expenses					(371,710)
Administrative expenses					(497,735)
Impairment losses on financial assets					(12,454)
Other expenses					(366)
Finance costs					(229,207)
Share of profits and losses of associates					<u>(305,003)</u>
Group's profit before tax					<u>765,207</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Segment revenue and results—continued**For the year ended 31 December 2019**

<u>Segments</u>	<u>Finished dose pharmaceutical products</u> RMB'000	<u>Active pharmaceutical ingredients</u> RMB'000	<u>CDMO</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
Segment revenue:					
Sales to external customers	1,230,840	2,273,989	786,401	320,875	4,612,105
Intersegment sales	<u>1,824,767</u>	<u>1,040,446</u>	<u>5,605</u>	<u>240,534</u>	<u>3,111,352</u>
	3,055,607	3,314,435	792,006	561,409	7,723,457
<u>Reconciliation:</u>					
Elimination of intersegment sales					<u>(3,111,352)</u>
Revenue from contracts with customers					<u>4,612,105</u>
Segment results:	589,230	887,107	241,497	59,986	1,777,820
<u>Reconciliation:</u>					
Elimination of intersegment results . . .					(105,631)
Other income and gains					833,775
Selling and distribution expenses					(411,318)
Administrative expenses					(521,039)
Impairment losses on financial assets					(737)
Other expenses					(569)
Finance costs					(275,198)
Share of profits and losses of associates					18,177
Group's profit before tax					<u>1,315,280</u>

Geographical information*(a) Revenue from external customers*

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Hong Kong	6,651	34,909	18,046
United States of America	403,055	804,715	1,019,402
Europe	1,636,938	2,937,707	2,639,743
Mainland China	352,443	442,599	401,830
Other countries/regions	429,138	579,877	533,084
	<u>2,828,225</u>	<u>4,799,807</u>	<u>4,612,105</u>

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Geographical information—continued*(b) Non-current assets*

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Mainland China	2,246,708	2,594,544	3,528,739
United States of America	3,548,982	3,667,148	3,665,249
Europe	172,217	188,928	184,672

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year ended 31 December 2017, revenue of approximately RMB1,126,899,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the year ended 31 December 2018, revenue of approximately RMB1,804,652,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the year ended 31 December 2019, revenue of approximately RMB1,036,608,000 derived from a single external customer accounted for more than 10% of the total revenue.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2017

<u>Segments</u>	<u>Finished dose pharmaceutical products</u>	<u>Active pharmaceutical ingredients</u>	<u>CDMO</u>	<u>Others</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Type of goods or services					
Sale of products	381,197	1,846,129	—	217,124	2,444,450
CDMO services	—	—	324,308	—	324,308
Others	—	—	—	59,467	59,467
Total revenue from contracts with customers	<u>381,197</u>	<u>1,846,129</u>	<u>324,308</u>	<u>276,591</u>	<u>2,828,225</u>
Geographical markets					
Hong Kong	141	6,510	—	—	6,651
United States of America	—	80,505	250,735	71,815	403,055
Europe	227,249	1,373,681	—	36,008	1,636,938
Mainland China	150,176	33,499	—	168,768	352,443
Other countries/regions	3,631	351,934	73,573	—	429,138
Total revenue from contracts with customers	<u>381,197</u>	<u>1,846,129</u>	<u>324,308</u>	<u>276,591</u>	<u>2,828,225</u>
Timing of revenue recognition					
Products transferred at a point in time	381,197	1,846,129	—	217,124	2,444,450
Services transferred at a point in time	—	—	—	23,459	23,459
Services transferred over time	—	—	324,308	36,008	360,316
Total revenue from contracts with customers	<u>381,197</u>	<u>1,846,129</u>	<u>324,308</u>	<u>276,591</u>	<u>2,828,225</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE—continued

Revenue from contracts with customers—continued

(i) Disaggregated revenue information—continued

For the year ended 31 December 2018

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000	RMB'000			
Type of goods or services					
Sale of products	1,045,643	2,752,386	—	385,403	4,183,432
CDMO services	—	—	548,469	—	548,469
Others	—	—	—	67,906	67,906
Total revenue from contracts with customers	<u>1,045,643</u>	<u>2,752,386</u>	<u>548,469</u>	<u>453,309</u>	<u>4,799,807</u>
Geographical markets					
Hong Kong	2,187	32,722	—	—	34,909
United States of America	—	24,190	512,596	267,929	804,715
Europe	754,660	2,153,640	—	29,407	2,937,707
Mainland China	269,880	23,277	—	149,442	442,599
Other countries/regions	18,916	518,557	35,873	6,531	579,877
Total revenue from contracts with customers	<u>1,045,643</u>	<u>2,752,386</u>	<u>548,469</u>	<u>453,309</u>	<u>4,799,807</u>
Timing of revenue recognition					
Products transferred at a point in time	1,045,643	2,752,386	—	385,403	4,183,432
Services transferred at a point in time	—	—	18,439	38,499	56,938
Services transferred over time	—	—	530,030	29,407	559,437
Total revenue from contracts with customers	<u>1,045,643</u>	<u>2,752,386</u>	<u>548,469</u>	<u>453,309</u>	<u>4,799,807</u>

For the year ended 31 December 2019

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000	RMB'000			
Type of goods or services					
Sale of products	1,230,840	2,273,989	—	287,538	3,792,367
CDMO services	—	—	786,401	—	786,401
Others	—	—	—	33,337	33,337
Total revenue from contracts with customers	<u>1,230,840</u>	<u>2,273,989</u>	<u>786,401</u>	<u>320,875</u>	<u>4,612,105</u>
Geographical markets					
Hong Kong	1,751	16,295	—	—	18,046
United States of America	—	114,069	717,825	187,508	1,019,402
Europe	969,205	1,634,129	1,862	34,547	2,639,743
Mainland China	231,637	96,120	—	74,073	401,830
Other countries /regions	28,247	413,376	66,714	24,747	533,084
Total revenue from contracts with customers	<u>1,230,840</u>	<u>2,273,989</u>	<u>786,401</u>	<u>320,875</u>	<u>4,612,105</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE—continued

Revenue from contracts with customers—continued

(i) Disaggregated revenue information—continued

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of revenue recognition					
Products transferred at a point in time	1,230,840	2,273,989	—	287,538	3,792,267
Services transferred at a point in time	—	—	137,619	5,411	143,030
Services transferred over time	—	—	648,782	27,926	676,708
Total revenue from contracts with customers	<u>1,230,840</u>	<u>2,273,989</u>	<u>786,401</u>	<u>320,875</u>	<u>4,612,105</u>

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

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year:			
Sale of products	7,503	12,730	9,177
CDMO services	97,414	118,309	216,248
Others	—	—	30,449
	<u>104,917</u>	<u>131,039</u>	<u>255,874</u>

(ii) Performance obligations

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 180 days from delivery, except for PRC customers of the finished dose pharmaceutical products, where payment in advance is normally required.

CDMO services

For services under the FFS model, revenue is recognised over time and the performance obligation is part of a contract that has an original expected duration of one year or less. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under the FFS model.

For certain CDMO services, the directors of the Company have determined that performance obligations are satisfied upon acceptance of the deliverable products under customers' specific orders, and therefore, the performance obligation is recognised as revenue at a point in time.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**5. REVENUE—continued**Revenue from contracts with customers—continued

(ii) Performance obligations—continued

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within one year	<u>18,588</u>	<u>40,701</u>	<u>176,576</u>

All the performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	137,740	69,456	45,673
Government grants related to			
-Assets*	2,298	2,242	2,106
-Income**	40,190	31,581	32,374
Dividend income from financial assets at fair value through profit or loss	781	36,823	643
Dividend income from financial assets designated at fair value through other comprehensive income	—	3,694	16,541
	<u>181,009</u>	<u>143,796</u>	<u>97,337</u>
Other gains			
Foreign exchange (losses)/gains, net	(49,584)	70,545	32,072
Gains on disposal of financial assets at fair value through profit or loss	26,363	13,917	4,774
Fair value gains, net:			
Fair value gains on financial assets at fair value through profit or loss (note 21)	46,757	8,191	199,726
Fair value (losses)/gains on derivative instruments (note 22)	(3,728)	30,490	(83,242)
Gain on disposal of a subsidiary (note 42)	—	28,766	—
Gain on deemed disposal of a subsidiary (note 42)	—	—	573,865
(Losses)/gains on disposal of items of property, plant and equipment	(383)	2,304	2,068
Others	9,267	10,141	7,175
	<u>28,692</u>	<u>164,354</u>	<u>736,438</u>
	<u>209,701</u>	<u>308,150</u>	<u>833,775</u>

* The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognised in profit or loss over the useful lives of the relevant assets. Details of these grants related to assets are set out in note 33.

** The government grants and subsidies related to income have been received to compensate for the Group's research and development costs. Certain of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**6. OTHER INCOME AND GAINS—continued**

are recognised in the statement of profit or loss on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Details of these grants are set out in note 33.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

7. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cost of inventories sold	1,683,221	2,436,552	2,391,262
Cost of services provided	293,221	489,723	548,654
Depreciation of property, plant and equipment	139,557	157,632	196,164
Depreciation of right-of-use assets	37,291	41,251	39,462
Amortisation of other intangible assets	45,559	51,799	52,100
Research and development costs*	93,541	186,853	148,714
Auditor's remuneration	3,465	2,743	3,440
Expense related to public offering	—	—	20,363
Employee benefit expense (including directors' and supervisors' remuneration):			
Salaries and other benefits	457,809	601,853	650,603
Pension scheme contributions, social welfare and other welfare	72,444	117,859	147,637
Rental expenses from short-term leases	1,087	1,089	1,993
Bank interest income	(137,740)	(69,456)	(45,673)
Finance costs	183,268	229,207	275,198
Dividend income from financial assets at fair value through profit or loss . .	(781)	(36,823)	(643)
Dividend income from financial assets at fair value through other comprehensive income	—	(3,694)	(16,541)
Foreign exchange losses/(gains), net	49,584	(70,545)	(32,072)
Gains on disposal of financial assets at fair value through profit or loss	(26,363)	(13,917)	(4,774)
Fair value losses/(gains) on derivative instruments	3,728	(30,490)	83,242
Fair value gains on financial assets at fair value through profit or loss	(46,757)	(8,191)	(199,726)
Gain on disposal of a subsidiary	—	(28,766)	—
Gain on deemed disposal of a subsidiary	—	—	(573,865)
Losses/(gains) on disposal of items of property, plant and equipment	383	(2,304)	(2,068)
Impairment losses on financial assets	10,884	12,454	737
Write-down of inventories to net realisable value	37,620	40,643	48,025

* Research and development costs are included in "Administrative expenses" in the consolidated statements of profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Interest expenses on:			
Bank borrowings	118,923	165,968	192,431
Corporate bonds	33,661	33,721	63,725
Lease liabilities	9,246	7,193	5,684
Other finance cost	26,028	24,609	13,358
Less : Interest capitalised	(4,590)	(2,284)	—
	<u>183,268</u>	<u>229,207</u>	<u>275,198</u>

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of each director and supervisor as recorded during each of the Relevant Periods is set out below:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Fees	300	300	300
Other emoluments:			
Salaries, allowances and benefits in kind	6,471	9,442	7,106
Performance related bonuses*	—	2,011	—
Pension scheme contributions	211	231	206
	<u>6,982</u>	<u>11,984</u>	<u>7,612</u>

* Certain executive directors and supervisors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Mr. Zhang Rongqing (note (d))	100	100	100
Mr. Chen Junfa	50	100	100
Mr. Wang Zhaohui	33	100	100
Mr. Lv Chuan (note (e))	—	—	—
Mr. Ha Jiming (note (a))	17	—	—
Mr. Jie Dong (note (b))	50	—	—
Mr. Xu Bin (note (c))	50	—	—
	<u>300</u>	<u>300</u>	<u>300</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. DIRECTORS' AND SUPERVISORS' REMUNERATION—continued

(b) Executive directors and supervisors

	<u>Year ended</u> <u>31 December 2017</u>	<u>Salaries,</u> <u>allowances and</u> <u>benefits in kind</u>	<u>Performance</u> <u>related bonuses</u>	<u>Pension</u> <u>scheme</u> <u>contributions</u>	<u>Total</u> <u>remuneration</u>
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Li Li		1,566	—	36	1,602
Ms. Li Tan		1,057	—	36	1,093
Mr. Shan Yu		2,282	—	36	2,318
Mr. Bu Haihua		964	—	36	1,000
Supervisors					
Mr. Zheng Zehui		100	—	—	100
Mr. Tang Haijun		307	—	36	343
Ms. Su Jilan		195	—	31	226
		<u>6,471</u>	<u>—</u>	<u>211</u>	<u>6,682</u>
	<u>Year ended</u> <u>31 December 2018</u>	<u>Salaries,</u> <u>allowances and</u> <u>benefits in kind</u>	<u>Performance</u> <u>related bonuses</u>	<u>Pension</u> <u>scheme</u> <u>contributions</u>	<u>Total</u> <u>remuneration</u>
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Li Li		2,648	965	40	3,653
Ms. Li Tan		1,960	263	40	2,263
Mr. Shan Yu		2,574	447	40	3,061
Mr. Bu Haihua		1,601	289	40	1,930
Supervisors					
Mr. Zheng Zehui		100	—	—	100
Mr. Tang Haijun		320	26	40	386
Ms. Su Jilan		239	21	31	291
		<u>9,442</u>	<u>2,011</u>	<u>231</u>	<u>11,684</u>
	<u>Year ended</u> <u>31 December 2019</u>	<u>Salaries,</u> <u>allowances and</u> <u>benefits in kind</u>	<u>Performance</u> <u>related bonuses</u>	<u>Pension</u> <u>scheme</u> <u>contributions</u>	<u>Total</u> <u>remuneration</u>
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Li Li		1,713	—	35	1,748
Ms. Li Tan		1,179	—	35	1,214
Mr. Shan Yu		1,931	—	35	1,966
Mr. Bu Haihua		1,460	—	35	1,495
Supervisors					
Mr. Zheng Zehui		100	—	—	100
Mr. Tang Haijun		394	—	35	429
Ms. Su Jilan		329	—	31	360
		<u>7,106</u>	<u>—</u>	<u>206</u>	<u>7,312</u>

Notes:

(a) Mr. Ha Jiming was appointed as independent non-executive director of the Company with effect from 23 May 2017 and resigned on 21 July 2017.

(b) Mr. Jie Dong was appointed as independent non-executive director of the Company with effect from 16 February 2011 and resigned on 23 May 2017.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**9. DIRECTORS' AND SUPERVISORS' REMUNERATION—continued**

(b) Executive directors and supervisors—continued

- (c) Mr. Xu Bin was appointed as independent non-executive director of the Company with effect from 16 February 2011 and resigned on 23 May 2017.
- (d) Mr. Zhang Rongqing was appointed as independent non-executive director of the Company with effect from 23 May 2017 and resigned on 18 December 2019.
- (e) Mr. Lv Chuan was appointed as independent non-executive director of the Company with effect from 18 December 2019 to 22 May 2020.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods included 0,1,0 director, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the 5,4,5 highest paid employees who are neither a director of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	21,787	14,470	20,069
Performance related bonuses	—	1,631	—
Pension scheme contributions	198	737	952
	<u>21,985</u>	<u>16,838</u>	<u>21,021</u>

The number of non-director and highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2017	2018	2019
Nil to HK\$1,000,000	—	—	—
HK\$1,000,001 to HK\$1,500,000	—	—	—
HK\$1,500,001 to HK\$2,000,000	—	—	—
HK\$2,000,001 to HK\$2,500,000	—	—	—
HK\$2,500,001 to HK\$3,000,000	—	—	—
HK\$3,000,001 to HK\$3,500,000	1	—	—
HK\$3,500,001 to HK\$4,000,000	—	1	1
HK\$4,000,001 to HK\$4,500,000	1	—	3
HK\$4,500,001 to HK\$5,000,000	—	1	—
HK\$5,000,001 to HK\$5,500,000	1	1	—
HK\$5,500,001 to HK\$6,000,000	1	—	—
HK\$6,000,001 to HK\$6,500,000	—	1	—
HK\$6,500,001 to HK\$7,000,000	—	—	—
HK\$7,000,001 to HK\$7,500,000	1	—	—
HK\$7,500,001 to HK\$8,000,000	—	—	1
	<u>5</u>	<u>4</u>	<u>5</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**10. FIVE HIGHEST PAID EMPLOYEES—continued**

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless these subject to tax exemption set out below.

The Company was accredited as a “High and New Technology Enterprise” in 2015 which was subsequently renewed in 2018, and therefore the Company was entitled to a preferential CIT rate of 15% for the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Shenzhen Techdow Pharmaceutical Co., Ltd was accredited as a “High and New Technology Enterprise” in 2014 which was subsequently renewed in 2017, and therefore Shenzhen Techdow Pharmaceutical Co., Ltd was entitled to a preferential CIT rate of 15% for the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

The group entities incorporated in USA are subject to the federal corporate tax rate at a range from 15%-39% for the years ended 31 December 2017. On 22 December 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduces the federal corporate tax rate to 21% from the range of 15%-39% and is effective on 1 January 2018. The state income tax rate remains at a range from 1% to 9.5% during the Relevant Periods.

The group entity incorporated in Singapore is subject to the corporate income tax rate of 17% during the Relevant Periods.

The group entity incorporated in Sweden is subject to the corporate income tax rate of 22%, 22% and 21.4% during the years ended 31 December 2017, 2018 and 2019, respectively.

On 21 March 2018 the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The group entity incorporated in Poland is subject to the corporate income tax rate of 19% during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. INCOME TAX—continued

The group entities incorporated in Netherland are subject to the corporate income tax rate of 20%, 20% and 19% during the years ended 31 December 2017, 2018 and 2019, respectively, for taxable income that do not exceed the amount of EUR 200,000, and if the taxable income excess the amount of EUR 200,000, the tax rate of 25% should apply to the part that excess the amount of EUR 200,000 during the Relevant Periods.

The group entity incorporated in the United Kingdom is entitled to the tax rate at 20% before 1 April 2017. The tax rate reduced from 20% to 19% from April 2017. The tax rate remains at 19% during the remaining Relevant Periods.

The group entity incorporated in Spain is subject to the corporate income tax rate of 25% during the Relevant Periods.

The group entity incorporated in Italy is subject to the corporate income tax rate of 24% and Imposta regionale sulle attività produttive (“IRAP”) tax rate of 3.9% during the Relevant Periods.

The group entity incorporated in France is subject to the corporate income tax rate of 28% for taxable income that do not exceed the amount of EUR500,000 and if the taxable income exceeds the amount of EUR500,000 the tax rate of 33.33% should apply to the part that excess the amount of EUR500,000 during the years ended 31 December 2017 and 2018. The tax rate of 31% should apply to the part that excess the amount of EUR500,000 during the year ended 31 December 2019.

The major components of the income tax expense for the year are as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current tax expense			
PRC	56,890	146,993	96,132
USA	—	—	75,264
Elsewhere	659	366	495
(Overprovision)/underprovision in prior years from the PRC	(1,220)	(1,571)	133
	<u>56,329</u>	<u>145,788</u>	<u>172,024</u>
Deferred tax expense			
PRC	(27,435)	(52,211)	90,814
USA	(112,701)	67,959	20,983
Elsewhere	—	(13,292)	(12,439)
	<u>(140,136)</u>	<u>2,456</u>	<u>99,358</u>
Total tax (credit)/charge for the year	<u>(83,807)</u>	<u>148,244</u>	<u>271,382</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. 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 statutory tax rates to the effective tax rates, are as follows:

	Year ended 31 December					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	157,085		765,207		1,315,280	
Tax at the statutory tax rate	25,713	16%	173,945	23%	329,433	25%
Lower tax rate for specific provinces or enacted by local authority	(38,174)	(24%)	(62,117)	(8%)	(120,409)	(9%)
Effect on opening deferred tax of decrease in rates	(89,727)	(57%)	—	—	26,832	2%
Adjustments in respect of current tax of previous periods	(1,220)	(1%)	(1,571)	0%	133	0%
Income not subject to tax	—	—	(7,224)	(1%)	(196)	0%
Expenses not deductible for tax	945	1%	335	0%	1,623	0%
Utilization of previously unrecognised tax losses	(4,818)	(3%)	(3,538)	0%	(692)	0%
Tax losses and temporary difference not recognised	28,173	18%	54,151	7%	50,760	4%
Super deduction for research and development expenses	(4,699)	(3%)	(7,986)	(1%)	(12,975)	(1%)
Others	—	—	2,249	0%	(3,127)	0%
Tax (credit)/charge at the Group's effective rate	(83,807)	(53%)	148,244	19%	271,382	21%

12. DIVIDENDS

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Dividends declared by the Company	311,800	56,124	124,720

On 23 May 2017, the Company's shareholders approved the 2016 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB 311,800,000 (inclusive of tax) were subsequently paid in June 2017 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2016 profit distribution plan, which amounted to a dividend of RMB2.5 (inclusive of tax) for every 10 shares of the Company.

On 16 May 2018, the Company's shareholders approved the 2017 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB 56,124,000 (inclusive of tax) were subsequently paid in June 2018 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2017 profit distribution plan, which amounted to a dividend of RMB0.45 (inclusive of tax) for every 10 shares of the Company.

On 21 May 2019, the Company's shareholders approved the 2018 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB 124,720,170 (inclusive of tax) were subsequently paid in September 2019 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2018 profit distribution plan, which amounted to a dividend of RMB1 (inclusive of tax) for every 10 shares of the Company.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued
13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods as adjusted to reflect the subsequent changes in capital at nil consideration.

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

	<u>Year ended 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'00</u>
<u>Earnings</u>			
Profit attributable to ordinary equity holders of the parent	238,904	640,194	1,059,700
	<u>238,904</u>	<u>640,194</u>	<u>1,059,700</u>
	<u>Year ended 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Number of shares</u>			
Weighted average number of ordinary shares in issue during the years, used in the basic earnings per share calculation	1,247,201,704	1,247,201,704	1,247,201,704
	<u>1,247,201,704</u>	<u>1,247,201,704</u>	<u>1,247,201,704</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Machine equipment	Motor vehicles	Other equipment	Land	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017								
At 1 January 2017:								
Cost	851,212	738,180	41,900	55,190	30,154	4,633	388,856	2,110,125
Accumulated depreciation	(138,454)	(228,848)	(24,152)	(26,667)	—	(901)	—	(419,022)
Net carrying amount	712,758	509,332	17,748	28,523	30,154	3,732	388,856	1,691,103
At 1 January 2017, net of accumulated depreciation	712,758	509,332	17,748	28,523	30,154	3,732	388,856	1,691,103
Additions	5,051	33,815	12	1,949	3,249	2,086	521,436	567,598
Disposals	(485)	(361)	(642)	(190)	(181)	—	—	(1,859)
Depreciation provided during the year	(35,550)	(88,070)	(4,246)	(11,058)	—	(633)	(127,734)	(139,557)
Transfers	56,712	56,324	8,003	6,695	—	—	(15,552)	—
Exchange realignment	(7,136)	(10,958)	(1,135)	(358)	(1,855)	—	—	(36,994)
At 31 December 2017, net of accumulated depreciation	731,350	500,082	19,740	25,561	31,367	5,185	767,006	2,080,291
At 31 December 2017:								
Cost	903,853	804,758	40,424	59,973	31,367	6,719	767,006	2,614,100
Accumulated depreciation	(172,503)	(304,676)	(20,684)	(34,412)	—	(1,534)	—	(533,809)
Net carrying amount	731,350	500,082	19,740	25,561	31,367	5,185	767,006	2,080,291

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings	Machine equipment	Motor vehicles	Other equipment	Land	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018								
At 1 January 2018:								
Cost	903,853	804,758	40,424	59,973	31,367	6,719	767,006	2,614,100
Accumulated depreciation	(172,503)	(304,676)	(20,684)	(34,412)	—	(1,534)	—	(533,809)
Net carrying amount	731,350	500,082	19,740	25,561	31,367	5,185	767,006	2,080,291
At 1 January 2018, net of accumulated depreciation	731,350	500,082	19,740	25,561	31,367	5,185	767,006	2,080,291
Additions	368	1,903	871	958	—	9,203	596,641	609,944
Disposals	—	(331)	(20)	(114)	—	—	—	(465)
Disposal of a subsidiary	(316)	(9,143)	(39)	(194)	—	(2,355)	—	(12,047)
Depreciation provided during the year	(46,293)	(93,472)	(4,362)	(12,165)	—	(1,340)	—	(157,632)
Transfers	481,818	134,237	5,682	10,273	—	—	(632,010)	—
Exchange realignment	6,537	10,961	971	476	1,579	18	13,606	34,148
At 31 December 2018, net of accumulated depreciation	1,173,464	544,237	22,843	24,795	32,946	10,711	745,243	2,554,239
At 31 December 2018:								
Cost	1,393,703	940,353	48,110	70,912	32,946	12,033	745,243	3,243,300
Accumulated depreciation	(220,239)	(396,116)	(25,267)	(46,117)	—	(1,322)	—	(689,061)
Net carrying amount	1,173,464	544,237	22,843	24,795	32,946	10,711	745,243	2,554,239

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings RMB'000	Machine equipment RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Land RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019								
At 1 January 2019:								
Cost	1,393,703	940,353	48,110	70,912	32,946	12,033	745,243	3,243,300
Accumulated depreciation	(220,239)	(396,116)	(25,267)	(46,117)	—	(1,322)	—	(689,061)
Net carrying amount	<u>1,173,464</u>	<u>544,237</u>	<u>22,843</u>	<u>24,795</u>	<u>32,946</u>	<u>10,711</u>	<u>745,243</u>	<u>2,554,239</u>
At 1 January 2019, net of accumulated								
depreciation	1,173,464	544,237	22,843	24,795	32,946	10,711	745,243	2,554,239
Additions	17,418	6,346	—	3,052	—	68	296,356	323,240
Disposals	—	(628)	(4)	(106)	—	—	—	(738)
Disposal of a subsidiary	—	(2,062)	—	(286)	—	(1,997)	—	(4,345)
Depreciation provided during the year	(59,199)	(125,461)	(4,010)	(6,851)	—	(643)	—	(196,164)
Transfers	76,641	244,641	381	2,323	—	—	(323,986)	—
Exchange realignment	2,867	5,340	302	179	543	(3)	2,772	12,000
At 31 December 2019, net of accumulated depreciation	<u>1,211,191</u>	<u>672,413</u>	<u>19,512</u>	<u>23,106</u>	<u>33,489</u>	<u>8,136</u>	<u>720,385</u>	<u>2,688,232</u>
At 31 December 2019:								
Cost	1,491,310	1,189,160	48,700	75,551	33,489	9,213	720,385	3,567,808
Accumulated depreciation	(280,119)	(516,747)	(29,188)	(52,445)	—	(1,077)	—	(879,576)
Net carrying amount	<u>1,211,191</u>	<u>672,413</u>	<u>19,512</u>	<u>23,106</u>	<u>33,489</u>	<u>8,136</u>	<u>720,385</u>	<u>2,688,232</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

Company

	Buildings	Machine equipment	Motor vehicles	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017							
At 1 January 2017:							
Cost	80,911	206,396	14,983	24,104	114,737	159,116	600,247
Accumulated depreciation	(18,896)	(87,298)	(13,390)	(15,197)	(16,793)	—	(151,574)
Net carrying amount	62,015	119,098	1,593	8,907	97,944	159,116	448,673
At 1 January 2017, net of accumulated depreciation	62,015	119,098	1,593	8,907	97,944	159,116	448,673
Additions	230	1,107	—	325	155	284,936	286,753
Disposals	—	(153)	(218)	(87)	—	—	(458)
Depreciation provided during the year	(3,021)	(17,075)	(231)	(3,417)	(6,194)	—	(29,938)
Transfers	5,182	2,243	—	674	—	(8,099)	—
At 31 December 2017, net of accumulated depreciation	64,406	105,220	1,144	6,402	91,905	435,953	705,030
At 31 December 2017:							
Cost	86,323	206,690	10,618	23,477	114,892	435,953	877,953
Accumulated depreciation	(21,917)	(101,470)	(9,474)	(17,075)	(22,987)	—	(172,923)
Net carrying amount	64,406	105,220	1,144	6,402	91,905	435,953	705,030

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings RMB'000	Machine equipment RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	86,323	206,690	10,618	23,477	114,892	435,953	877,953
Accumulated depreciation	(21,917)	(101,470)	(9,474)	(17,075)	(22,987)	—	(172,923)
Net carrying amount	64,406	105,220	1,144	6,402	91,905	435,953	705,030
At 1 January 2018, net of accumulated depreciation							
Additions	—	—	—	—	91,905	435,953	705,030
Disposals	—	(206)	—	(6)	8,178	—	(212)
Depreciation provided during the year	(11,557)	(16,795)	(231)	(2,686)	(6,147)	—	(37,416)
Transfers	454,326	2,815	—	682	—	(457,823)	—
At 31 December 2018, net of accumulated depreciation	507,175	91,034	913	4,392	93,936	438,196	1,135,646
At 31 December 2018:							
Cost	540,650	209,023	10,618	24,095	122,615	438,196	1,345,197
Accumulated depreciation	(33,475)	(117,989)	(9,705)	(19,703)	(28,679)	—	(209,551)
Net carrying amount	507,175	91,034	913	4,392	93,936	438,196	1,135,646

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings RMB'000	Machine equipment RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
Cost	540,650	209,023	10,618	24,095	122,615	438,196	1,345,197
Accumulated depreciation	(33,475)	(117,989)	(9,705)	(19,703)	(28,679)	—	(209,551)
Net carrying amount	507,175	91,034	913	4,392	93,936	438,196	1,135,646
At 1 January 2019, net of accumulated depreciation	507,175	91,034	913	4,392	93,936	438,196	1,135,646
Additions	—	1,225	—	192	—	—	(42)
Disposals	—	(10)	—	(32)	—	—	(42)
Depreciation provided during the year	(20,657)	(18,510)	(205)	(1,143)	(6,137)	—	(46,652)
Transfers	21,446	16,737	—	266	—	(38,449)	—
At 31 December 2019, net of accumulated depreciation	507,964	90,476	708	3,675	87,799	538,268	1,228,890
At 31 December 2019:							
Cost	562,096	226,893	10,618	24,374	122,615	538,268	1,484,864
Accumulated depreciation	(54,132)	(136,417)	(9,910)	(20,699)	(34,816)	—	(255,974)
Net carrying amount	507,964	90,476	708	3,675	87,799	538,268	1,228,890

The information about the pledged assets is disclosed in note 45 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. RIGHT-OF-USE ASSETS

Group

	<u>Properties</u> RMB'000	<u>Equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Land use rights</u> RMB'000	<u>Total</u> RMB'000
31 December 2017					
At 1 January 2017:					
Cost	108,716	32,746	266	163,960	305,688
Accumulated depreciation	—	(7,577)	—	(25,488)	(33,065)
Net carrying amount	<u>108,716</u>	<u>25,169</u>	<u>266</u>	<u>138,472</u>	<u>272,623</u>
At 1 January 2017, net of accumulated					
depreciation	108,716	25,169	266	138,472	272,623
Additions	58,748	2,213	3,392	—	64,353
Depreciation provided during the year	(22,061)	(9,957)	(319)	(4,954)	(37,291)
Exchange realignment	(6,025)	(1,205)	88	—	(7,142)
At 31 December 2017, net of accumulated					
depreciation	<u>139,378</u>	<u>16,220</u>	<u>3,427</u>	<u>133,518</u>	<u>292,543</u>
At 31 December 2017:					
Cost	160,845	32,985	3,753	163,960	361,543
Accumulated depreciation	(21,467)	(16,765)	(326)	(30,442)	(69,000)
Net carrying amount	<u>139,378</u>	<u>16,220</u>	<u>3,427</u>	<u>133,518</u>	<u>292,543</u>
	<u>Properties</u> RMB'000	<u>Equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Land use rights</u> RMB'000	<u>Total</u> RMB'000
31 December 2018					
At 1 January 2018:					
Cost	160,845	32,985	3,753	163,960	361,543
Accumulated depreciation	(21,467)	(16,765)	(326)	(30,442)	(69,000)
Net carrying amount	<u>139,378</u>	<u>16,220</u>	<u>3,427</u>	<u>133,518</u>	<u>292,543</u>
At 1 January 2018, net of accumulated					
depreciation	139,378	16,220	3,427	133,518	292,543
Additions	2,078	—	3,188	—	5,266
Depreciation provided during the year	(26,633)	(8,390)	(1,274)	(4,954)	(41,251)
Exchange realignment	4,774	517	57	—	5,348
At 31 December 2018, net of accumulated					
depreciation	<u>119,597</u>	<u>8,347</u>	<u>5,398</u>	<u>128,564</u>	<u>261,906</u>
At 31 December 2018:					
Cost	169,306	34,646	7,015	163,960	374,927
Accumulated depreciation	(49,709)	(26,299)	(1,617)	(35,396)	(113,021)
Net carrying amount	<u>119,597</u>	<u>8,347</u>	<u>5,398</u>	<u>128,564</u>	<u>261,906</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. RIGHT-OF-USE ASSETS—continued

	<u>Properties</u> RMB'000	<u>Equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Land use rights</u> RMB'000	<u>Total</u> RMB'000
31 December 2019					
At 1 January 2019:					
Cost	169,306	34,646	7,015	163,960	374,927
Accumulated depreciation	(49,709)	(26,299)	(1,617)	(35,396)	(113,021)
Net carrying amount	<u>119,597</u>	<u>8,347</u>	<u>5,398</u>	<u>128,564</u>	<u>261,906</u>
At 1 January 2019, net of accumulated					
depreciation	119,597	8,347	5,398	128,564	261,906
Additions	9,168	2,982	2,301	—	14,451
Depreciation provided during the year	(27,803)	(4,311)	(2,394)	(4,954)	(39,462)
Early termination	(982)	—	—	—	(982)
Exchange realignment	1,313	121	(49)	—	1,385
At 31 December 2019, net of accumulated					
depreciation	<u>101,293</u>	<u>7,139</u>	<u>5,256</u>	<u>123,610</u>	<u>237,298</u>
At 31 December 2019:					
Cost	175,644	38,234	9,278	163,960	387,116
Accumulated depreciation	(74,351)	(31,095)	(4,022)	(40,350)	(149,818)
Net carrying amount	<u>101,293</u>	<u>7,139</u>	<u>5,256</u>	<u>123,610</u>	<u>237,298</u>

Company

	<u>Properties</u> RMB'000	<u>Land use rights</u> RMB'000	<u>Total</u> RMB'000
31 December 2017			
At 1 January 2017:			
Cost	23,499	114,191	137,690
Accumulated depreciation	—	(16,569)	(16,569)
Net carrying amount	<u>23,499</u>	<u>97,622</u>	<u>121,121</u>
At 1 January 2017, net of accumulated depreciation			
Depreciation provided during the year	(2,387)	(3,743)	(6,130)
At 31 December 2017, net of accumulated depreciation	<u>21,112</u>	<u>93,879</u>	<u>114,991</u>
At 31 December 2017:			
Cost	23,499	114,191	137,690
Accumulated depreciation	(2,387)	(20,312)	(22,699)
Net carrying amount	<u>21,112</u>	<u>93,879</u>	<u>114,991</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. RIGHT-OF-USE ASSETS—continued

	<u>Properties</u> RMB'000	<u>Land use rights</u> RMB'000	<u>Total</u> RMB'000
31 December 2018			
At 1 January 2018:			
Cost	23,499	114,191	137,690
Accumulated depreciation	(2,387)	(20,312)	(22,699)
Net carrying amount	<u>21,112</u>	<u>93,879</u>	<u>114,991</u>
At 1 January 2018, net of accumulated depreciation	21,112	93,879	114,991
Additions	2,170	—	2,170
Depreciation provided during the year	(2,406)	(3,742)	(6,148)
At 31 December 2018, net of accumulated depreciation	<u>20,876</u>	<u>90,137</u>	<u>111,013</u>
At 31 December 2018:			
Cost	25,669	114,191	139,860
Accumulated depreciation	(4,793)	(24,054)	(28,847)
Net carrying amount	<u>20,876</u>	<u>90,137</u>	<u>111,013</u>
	<u>Properties</u> RMB'000	<u>Land use rights</u> RMB'000	<u>Total</u> RMB'000
31 December 2019			
At 1 January 2019:			
Cost	25,669	114,191	139,860
Accumulated depreciation	(4,793)	(24,054)	(28,847)
Net carrying amount	<u>20,876</u>	<u>90,137</u>	<u>111,013</u>
At 1 January 2019, net of accumulated depreciation	20,876	90,137	111,013
Additions	17,311	—	17,311
Depreciation provided during the year	(3,573)	(3,743)	(7,316)
At 31 December 2019, net of accumulated depreciation	<u>34,614</u>	<u>86,394</u>	<u>121,008</u>
At 31 December 2019:			
Cost	42,980	114,191	157,171
Accumulated depreciation	(8,366)	(27,797)	(36,163)
Net carrying amount	<u>34,614</u>	<u>86,394</u>	<u>121,008</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL

	RMB'000
At 1 January 2017:	
Cost	2,341,675
Accumulated impairment	—
Net carrying amount	<u>2,341,675</u>
Cost at 1 January 2017, net of accumulated impairment	2,341,675
Impairment during the year	—
Exchange realignment	(135,970)
Cost and net carrying amount at 31 December 2017	<u>2,205,705</u>
At 31 December 2017:	
Cost	2,205,705
Accumulated impairment	—
Net carrying amount	<u>2,205,705</u>
Cost at 1 January 2018, net of accumulated impairment	2,205,705
Impairment during the year	—
Exchange realignment	111,058
Cost and net carrying amount at 31 December 2018	<u>2,316,763</u>
At 31 December 2018:	
Cost	2,316,763
Accumulated impairment	—
Net carrying amount	<u>2,316,763</u>
Cost at 1 January 2019, net of accumulated impairment	2,316,763
Impairment during the year	—
Exchange realignment	38,145
Cost and net carrying amount at 31 December 2019	<u>2,354,908</u>
At 31 December 2019:	
Cost	2,354,908
Accumulated impairment	—
Net carrying amount	<u>2,354,908</u>

Impairment testing of goodwill

On 9 April 2014, goodwill arising from the acquisition of SPL Acquisition Corp. amounted to RMB1,297,621,000.

On 5 October 2015, goodwill arising from the acquisition of Cytovance Biologics Inc. amounted to RMB814,940,000.

Goodwill is allocated to Heparin SPL cash-generating unit and CDMO cash-generating unit (collectively of the two above, the “CGUs”) for impairment testing. The recoverable amount of the Heparin SPL CGU and CDMO CGU have been determined based on the higher of VIU and FVLCD. VIU is using cash flow projections based on financial budgets covering a five or seven-year period approved by senior management. In measuring FVLCD, multiple valuation techniques are used to measure fair value. The fair value is evaluated using a combination of the income approach and the market approach, with 50 percent weighting for each approach.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Impairment testing of goodwill—continued

The respective recoverable amount and the carrying value of the CGUs as at 31 December 2017, 2018 and 2019 are as follows:

Heparin SPL CGU

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Recoverable amount	3,789,836 ¹	2,885,976 ¹	3,278,814 ²
Carrying value including allocated goodwill	2,373,226	2,451,764	2,623,443

CDMO CGU

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Recoverable amount	1,503,193 ¹	1,642,021 ¹	1,991,726 ¹
Carrying value including allocated goodwill	1,472,574	1,585,716	1,702,667

1. The recoverable amount was determined based on FVLCD.

2. The recoverable amount was determined based on VIU.

For income approach, the pre-tax discount rates applied to the cash flow projections, the forecasted growth rates and earnings before interest, taxes, depreciation and amortization (“EBITDA”) margin used to extrapolate cash flow projections and terminal growth rates are as follows:

Heparin SPL CGU

	As at 31 December		
	2017	2018	2019
Revenue growth rates	7%-65%	-5%-31%	7%-32%
EBITDA margin	33%-44%	22%-29%	19%-31%
Pre-tax discount rate	21.5%	17.9%	18.6%
Terminal revenue growth rate	3%	3%	3%

CDMO CGU

	As at 31 December		
	2017	2018	2019
Revenue growth rates*	9%-44%	6%-36%	6%-29%
EBITDA margin*	8%-26%	20%-27%	25%-29%
Pre-tax discount rate	13.9%	15.1%	15.4%
Terminal revenue growth rate	3%	3%	3%

* A period longer than five years can be used if it is justifiable, and the management used a seven-year period in 2017. The expected annual growth rates over the seven-year forecast period are based on the past performance and management's expectation of future market and business developments.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Impairment testing of goodwill—continued

The VIU calculations use cash flow projections based on the most recent financial budgets/forecasts covering a period of five years, or a period longer than five years if it is justifiable. Throughout these years, the Group applied a five years period of cash flow projection. Yet, the management of the Group use cash flow projections covering a period of seven years for CDMO CGU's goodwill impairment assessment as at 31 December 2017, which takes into account the length of the post projection period for the cash flow into perpetuity, and this has been achieved by identifying a 'steady state' set of assumptions for the cash flows and applying a terminal value multiple to those cash flows. The expected annual growth rates over the seven-year forecast period are based on the Group's past performance and management's expectation of future market and business developments. On the other hand, assumptions were used in the FVLCD of the CGUs for 31 December 2017, 2018 and 2019. The revenue growth rate beyond the five or seven-year period had been projected as 3.0%. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate—The revenue growth rate is based on the average growth achieved in the past years and the expected revenue from sales of heparin and pancreatin.

Budgeted EBITDA margins—The basis used to determine the value assigned to the budgeted gross margins is the EBITDA margins achieved in the past years and the expectation for market development.

Discount rate—The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and discount rate are consistent with external information sources.

For market approach, fair value was determined based on ratios of enterprise value ("EV") divided by revenue and EBITDA of several comparable public companies for specific historical and/or forecasted years. Multiples were selected for the respective time periods and multiplied by the revenue and EBITDA of the related CGU resulting in an implied EV of the CGU, on a minority, marketable basis. Weightings were applied to the implied indications of value and a control premium was added to arrive at an EV on a controlling, marketable basis. The guideline companies were selected based on a comprehensive search of publicly-listed companies in the CGU's industry, such that the guideline companies had similar or comparable operations and likely exposed to similar risks as the CGU. The selected multiples and control premium are as follows:

Heparin SPL CGU

	As at 31 December		
	2017	2018	2019
Revenue multiples	n/a	n/a	n/a
EBITDA multiples	8.5x	6.0x-8.8x	7.5x-8.0x
Control premium	5.0%	5.0%	5.0%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Impairment testing of goodwill—continued*CDMO CGU*

	As at 31 December		
	2017	2018	2019
Revenue multiples	2.0x-3.0x	2.3x-3.0x	2.3x-2.5x
EBITDA multiples	9.0x	11.0x	11.0x-12.0x
Control premium	15.0%	10.0%	10.0%

Assumptions were used in the FVLCD of the CGUs for 31 December 2017, 2018 and 2019. The following describes each key assumption on which management has based to undertake impairment testing of goodwill:

Revenue multiples—The revenue multiples are based on the CGU's historical and forecasted performance compared to the guideline companies, as well as how the business has performed relative to plan for that period.

EBITDA multiples—The basis used to determine the value of EBITDA multiples is the CGU's historical and forecasted profitability performance compared to the guideline companies, as well as relative to plan, and initiatives driving profitability.

Control Premium—The control premium is based on review of recent transactions in the industry and the comparability of the transactions to the respective CGU's.

Sensitivity analysis

For Heparin SPL CGU, the estimated recoverable amounts exceeded its carrying values by RMB1,416,610,000, RMB434,212,000 and RMB655,371,000 as at 31 December 2017, 2018 and 2019, respectively. The directors of the Company have not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount of Heparin SPL CGU to exceed the recoverable amount.

The changes in the following table to assumptions used in the impairment review would have, in isolation, led to the Heparin SPL CGU's recoverable amount to be equal to its carrying value as at 31 December 2017, 2018 and 2019.

	Change required for carrying value to equal recoverable amount		
	As at 31 December		
	2017	2018	2019
Revenue growth rates	(54.0%)	(10.4%)	(11.0%)
EBITDA margin	(27.1%)	(7.1%)	(7.3%)
Pre-tax discount rate	58.8%	6.6%	6.9%

For CDMO CGU, the estimated recoverable amounts exceeded its carrying values by RMB30,619,000 and RMB56,305,000 and RMB289,059,000 as at 31 December 2017, 2018 and 2019, respectively. The directors of the Company have not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount of the CDMO CGU to exceed the recoverable amount.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued
16. GOODWILL—continued
Sensitivity analysis—continued

The changes in the following table to assumptions used in the impairment review would have, in isolation, led to CDMO CGU's recoverable amount to be equal to its carrying value as at 31 December 2017, 2018 and 2019.

	Change required for carrying value to equal recoverable amount		
	As at 31 December		
	2017	2018	2019
Revenue growth rates	(0.7%)	(2.0%)	(8.8%)
EBITDA margin	(0.7%)	(1.3%)	(7.1%)
Pre-tax discount rate	0.3%	0.9%	5.4%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. OTHER INTANGIBLE ASSETS

Group

	Software RMB'000	Trademarks RMB'000	Patent RMB'000	Proprietary technology RMB'000	Brands RMB'000	Customer relationships RMB'000	Development costs RMB'000	Total RMB'000
31 December 2017								
Cost at 1 January 2017, net of accumulated amortization	8,263	7,434	755	12,529	121,577	411,051	10,469	572,078
Additions—internal development	—	20	951	—	—	—	(971)	—
Additions—acquired	5,481	—	—	95,982	—	—	3,146	104,609
Amortization provided during the year	(2,753)	(1,263)	(116)	(3,725)	(8,606)	(29,096)	—	(45,559)
Exchange realignment	(33)	—	—	5,037	(6,775)	(22,907)	—	(24,678)
At 31 December 2017	10,958	6,191	1,590	109,823	106,196	359,048	12,644	606,450
At 31 December 2017:								
Cost	16,906	13,624	2,076	117,583	124,823	422,024	12,644	709,680
Accumulated amortization	(5,948)	(7,433)	(486)	(7,760)	(18,627)	(62,976)	—	(103,230)
Net carrying amount	10,958	6,191	1,590	109,823	106,196	359,048	12,644	606,450
31 December 2018								
Cost at 1 January 2018, net of accumulated amortization	10,958	6,191	1,590	109,823	106,196	359,048	12,644	606,450
Additions—internal development	—	—	5	—	—	—	(5)	—
Additions—acquired	904	—	47	41,049	—	—	2,737	44,737
Disposals	(176)	—	—	—	—	—	—	(176)
Disposal of a subsidiary	(13)	(5,121)	(30)	(2)	—	—	(6)	(5,172)
Amortization provided during the year	(2,220)	(715)	(162)	(11,733)	(8,438)	(28,531)	—	(51,799)
Exchange realignment	109	89	1	308	5,045	17,058	6	22,616
At 31 December 2018	9,562	444	1,451	139,445	102,803	347,575	15,376	616,656
At 31 December 2018:								
Cost	17,797	862	2,067	158,980	131,108	443,273	15,376	769,463
Accumulated amortization	(8,235)	(418)	(616)	(19,535)	(28,305)	(95,698)	—	(152,807)
Net carrying amount	9,562	444	1,451	139,445	102,803	347,575	15,376	616,656

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. OTHER INTANGIBLE ASSETS—continued

	Software	Trademarks	Patent	Proprietary technology	Brands	Customer relationships	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019								
Cost at 1 January 2019, net of accumulated amortization	9,562	444	1,451	139,445	102,803	347,575	15,376	616,656
Additions—acquired	1,060	163	16	1,808	—	—	10,969	14,016
Disposals	(34)	—	—	—	—	—	—	(34)
Disposal of subsidiaries	—	(26)	(851)	(9,556)	—	—	(15,254)	(25,687)
Amortization provided during the year	(2,313)	(92)	(94)	(11,146)	(8,778)	(29,677)	—	(52,100)
Exchange realignment	(2)	—	—	(419)	1,586	5,362	—	6,527
At 31 December 2019	8,273	489	522	120,132	95,611	323,260	11,091	559,378
At 31 December 2019:								
Cost	18,813	986	1,132	145,323	133,266	450,572	11,091	761,183
Accumulated amortization	(10,540)	(497)	(610)	(25,191)	(37,655)	(127,312)	—	(201,805)
Net carrying amount	8,273	489	522	120,132	95,611	323,260	11,091	559,378

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. OTHER INTANGIBLE ASSETS—continued

Company

	<u>Software</u> RMB'000	<u>Patent</u> RMB'000	<u>Development</u> <u>costs</u> RMB'000	<u>Total</u> RMB'000
31 December 2017				
Cost at 1 January 2017, net of accumulated				
amortization	7,848	634	74	8,556
Additions—acquired	2,527	—	2	2,529
Amortization provided during the year	(1,246)	(51)	—	(1,297)
At 31 December 2017	<u>9,129</u>	<u>583</u>	<u>76</u>	<u>9,788</u>
At 31 December 2017:				
Cost	13,013	791	76	13,880
Accumulated amortization	(3,884)	(208)	—	(4,092)
Net carrying amount	<u>9,129</u>	<u>583</u>	<u>76</u>	<u>9,788</u>
31 December 2018				
Cost at 1 January 2018, net of accumulated				
amortization	9,129	583	76	9,788
Additions—internal development	—	5	(5)	—
Additions—acquired	364	—	210	574
Disposals	(176)	—	—	(176)
Amortization provided during the year	(1,354)	(50)	—	(1,404)
At 31 December 2018	<u>7,963</u>	<u>538</u>	<u>281</u>	<u>8,782</u>
At 31 December 2018:				
Cost	13,181	796	281	14,258
Accumulated amortization	(5,218)	(258)	—	(5,476)
Net carrying amount	<u>7,963</u>	<u>538</u>	<u>281</u>	<u>8,782</u>
	<u>Software</u> RMB'000	<u>Patent</u> RMB'000	<u>Development</u> <u>costs</u> RMB'000	<u>Total</u> RMB'000
31 December 2019				
Cost at 1 January 2019, net of accumulated				
amortization	7,963	538	281	8,782
Additions—acquired	940	—	261	1,201
Amortization provided during the year	(1,354)	(51)	—	(1,405)
At 31 December 2019	<u>7,549</u>	<u>487</u>	<u>542</u>	<u>8,578</u>
At 31 December 2019:				
Cost	14,120	796	542	15,458
Accumulated amortization	(6,571)	(309)	—	(6,880)
Net carrying amount	<u>7,549</u>	<u>487</u>	<u>542</u>	<u>8,578</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. INVESTMENTS IN ASSOCIATES

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Share of net assets/(liabilities)	12,040	(93,073)	305,563
Goodwill on acquisition	629,939	655,563	1,044,209
	641,979	562,490	1,349,772
Provision for impairment	—	—	—
	641,979	562,490	1,349,772

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group			Principal activities
			31 December			
			2017	2018	2019	
Resverlogix Corp.(a)	Ordinary shares	Canada	42.86%	38.86%	38.78%	Biopharmaceutical R&D
Quest PharmaTech Inc. (hereafter, the "Quest") (b) . . .	Ordinary shares	Canada	14.96%	14.94%	14.94%	Biopharmaceutical R&D
OncoQuest Inc. (c)	Ordinary shares	Canada	39.16%	39.16%	38.74%	Biopharmaceutical R&D
Shanghai Taiyi Venture Capital Partnership. (limited partnership) (d)	Limited partnership	PRC	49.9975%	49.9975%	49.9975%	Investment management
Shenzhen Asia Pacific Health Management Co., Ltd. (e)	Ordinary shares	PRC	—	27.43%	27.43%	Health management consulting
Hightide Therap Eutics, Inc. (hereafter, the "HighTide") (f)	Ordinary shares	Cayman Islands	—	—	47.02%	Biopharmaceutical R&D

(a) Investment in Resverlogix Corp. was acquired in 2015 at a consideration of CAD35,431,000.

(b) Investment in Quest was acquired in 2015 at a consideration of CAD2,000,000. Quest is a company listed on the Canada Stock Exchange with six directors on the board of directors. The Group had significant influence with one board representative assigned and had the right to participate in the financial and operating policy decisions of the Quest.

(c) Investment in OncoQuest Inc. was acquired in 2015 at a consideration of USD13,000,000, of which, USD9,000,000 was paid in 2015 and USD4,000,000 was paid in 2016.

(d) Investment in Shanghai Taiyi Venture Capital Partnership (limited partnership) was acquired in 2016 at a consideration of RMB120,000,000, of which, RMB18,000,000 was paid in 2016, RMB48,000,000 was paid in 2017 and RMB54,000,000 was paid in 2018.

(e) Investment in Shenzhen Asia Pacific Health Management Co., Ltd. was acquired in 2018 at a consideration of RMB120,000,000.

(f) On 25 March 2019, HighTide's shareholding was diluted to 48.74% as a result of the addition of new shareholders and HighTide became an associate of the Group. On 12 August 2019, the equity interests held by the Group was further diluted to 47.02% as the result of the capital injection of other shareholders. Further details are included in note 42 to the Historical Financial Information.

Resverlogix Corp. and HighTide, which are considered as material associates of the Group, are strategic partners of the Group and are accounted for using the equity method.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. INVESTMENTS IN ASSOCIATES—continued

The following table illustrates the summarised financial information in respect of Resverlogix Corp. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current assets	30,737	64,411	40,685
Non-current assets, excluding goodwill	326,960	319,939	347,839
Current liabilities	(234,669)	(515,385)	(297,626)
Non-current liabilities	(318,216)	(659,554)	(447,000)
Net liabilities, excluding goodwill	(195,188)	(790,589)	(356,102)
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	42.86%	38.86%	38.78%
Group's share of net liabilities of the associate, excluding goodwill	(83,658)	(307,223)	(138,096)
Goodwill on acquisition	578,514	539,525	581,440
Carrying amount of the investment	494,856	232,302	443,344
	For the year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	—	—	—
(Loss)/profit for the year	(444,975)	(737,101)	194,072
Total comprehensive (loss)/income for the year	(444,975)	(737,101)	194,072

The following table illustrates the summarised financial information in respect of HighTide adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at 31 December
	2019
	RMB'000
Current assets	42,821
Non-current assets, excluding goodwill	525,145
Current liabilities	(10,385)
Non-current liabilities	(7,670)
Net assets, excluding goodwill	549,911
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	47.02%
Group's share of net assets of the associate, excluding goodwill	258,568
Goodwill on acquisition	344,118
Carrying amount of the investment	602,686
	April to December of 2019
	RMB'000
Revenue	—
Loss for the period	(96,348)
Other comprehensive income	255
Total comprehensive loss for the year	(96,093)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. INVESTMENTS IN ASSOCIATES—continued

The following table illustrates the summarised financial information of the Group's associates that are not individually material to the Group:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Share of the associates' losses for the Relevant Periods	(19,525)	(1,340)	(29,081)
Share of the associate's other comprehensive income for the Relevant Periods	—	—	358
Carrying amount of the Group's investment in the associates	147,123	330,188	303,742

The Group tested its investments in associates for impairment by comparing the recoverable amounts with the carrying amounts. In determining the recoverable amount of the investments in the associates, the Group estimates its shares of present value of estimated future cash flows expected to generate from the operations of the associates. The Group tested its investments in associates for impairment annually or more frequently if events or changes in circumstances indicated that they might be impaired. During the Relevant Periods, the estimated recoverable amounts of the investments in associates were greater than the carrying values and therefore no impairment was recorded.

The respective recoverable amount based on the fair value through the market share price and the carrying value of the investment on RVX as at 31 December 2017, 2018 and 2019 are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Recoverable amount	799,852	1,243,483	536,920
Carrying value	494,856	232,302	443,344

The respective recoverable amount based on recent capital financing transaction occurred in Hightide and the carrying value of the investment on Hightide as at 31 December 2019 is as follows:

	As at 31 December 2019
	RMB'000
Recoverable amount	649,293
Carrying value	602,686

19. INTERESTS IN SUBSIDIARIES

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1,811,366	2,233,535	2,174,528
Amounts due from subsidiaries*	808,825	961,534	1,035,467
	<u>2,620,191</u>	<u>3,195,069</u>	<u>3,209,995</u>

* The balances with subsidiaries are unsecured, interest-bearing and have no fixed terms of repayment. The balances are expected to be recovered after more than one year.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income			
Listed equity investment, at fair value:			
Prometic Life Sciences Inc.(a)	281,583	37,560	—
Aridis Pharmaceuticals, Inc.(b)	71,876	66,862	27,271
	<u>353,459</u>	<u>104,422</u>	<u>27,271</u>
Unlisted equity investments, at fair value:			
Cantex Pharmaceuticals, Inc.(c)	196,027	205,896	209,286
Curemark, LLC(d)	—	297,608	388,940
Others	877	859	1,900
	<u>196,904</u>	<u>504,363</u>	<u>600,126</u>
	<u>550,363</u>	<u>608,785</u>	<u>627,397</u>

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income			
Listed equity investment, at fair value:			
Prometic Life Sciences Inc.(a)	281,583	37,560	—
Unlisted equity investments, at fair value			
Curemark, LLC(d)	—	31,863	31,863
	<u>281,583</u>	<u>69,423</u>	<u>31,863</u>

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.

- The Group acquired 48,147,053 issued shares of Prometic Life Sciences Inc. (“PLI”) with a consideration of USD9,999,999 in 2013. PLI is a company listed on the Canada Stock Exchange. The Group disposed certain shares during the Relevant Periods and was no remaining shares as at 31 December 2019.
- The Group acquired 5,365,854 issued shares of Aridis Pharmaceuticals, Inc. (“Aridis”) with a consideration of USD11,000,000 in 2017. Aridis is a company listed on the National Association of Securities Dealers Automated Quotations (NASDAQ: ARDS). The fair value of the investment in Aridis was RMB71,876,000, RMB66,862,000 and RMB27,271,000 as at 31 December 2017, 2018 and 2019, respectively.
- The Group totally acquired 31,123,560 issued shares of Cantex Pharmaceuticals, Inc. (“Cantex”) with a consideration of USD30,000,000 during years ended 31 December 2014 and 2015. The fair value of the investment in Cantex was RMB196,027,000, RMB205,896,000, and RMB209,286,000 as at 31 December 2017, 2018 and 2019, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME—continued

- (d) The Group acquired 14,428 common shares of Curemark, LLC (“Curemark”) with cash consideration of USD5,000,000 in 2018, and acquired 147,710 common shares of Curemark by providing products of USD38,720,000 and USD12,465,000 during the years ended 31 December 2018 and 2019, respectively. The fair value of the investment in Curemark was RMB297,608,000 and RMB388,940,000 as at 31 December 2018 and 2019, respectively.

The information about the pledged assets is disclosed in note 45 to the Historical Financial Information.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current			
Wealth management products	293,185	266,293	87,876
Non-current			
Unlisted equity investments and convertible loan, at fair value			
Kymbab Group Limited(a)	241,766	259,427	312,532
TPG Biotechnology Partners IV, L.P.(b)	104,983	89,744	51,046
TPG Biotechnology Partners V, L.P.(c)	116,613	181,109	379,819
ORI Healthcare Fund, L.P.(d)	190,890	221,873	216,564
Shenzhen Top Dental Medical Co., Ltd.(e)	90,400	104,500	136,000
Labway Clinical Laboratory Co., Ltd.(f)	33,915	36,500	41,400
Hejia Hongli (Hang Zhou) Venture Investment Partnership (L.P.)(g)	24,554	32,995	42,403
CDH Avatar, L.P.(h)	12,076	4,730	6,679
Others	462	489	41,728
	815,659	931,367	1,228,171
Convertible loan	146,204	—	—
	961,863	931,367	1,228,171
	1,255,048	1,197,660	1,316,047

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current			
Wealth management products	253,005	204,004	30,053
Non-current			
Unlisted equity investments, at fair value			
TPG Biotechnology Partners IV, L.P.(b)	104,983	89,744	51,046
TPG Biotechnology Partners V, L.P.(c)	116,613	181,109	379,819
Hejia Hongli (Hang Zhou) Venture Investment Partnership (L.P.) (g)	24,554	32,995	42,403
	246,150	303,848	473,268
	499,155	507,852	503,321

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS—continued**

(1) Wealth management products

The Group entered into contracts in respect to wealth management products from banks and other financial institutions with an expected but not guaranteed rates of return ranging from 2.00% to 5.80% per annum during the Relevant Periods. The Group managed and evaluated the performance of the investments on a fair value basis, in accordance with the Group's risk management and investment strategy and thus classified at fair value through profit or loss as at 31 December 2017, 2018 and 2019.

(2) Unlisted equity investments, at fair value

Unlisted equity investments represented the Group's certain minority interests in private companies. The Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. The balance of the Group's unlisted equity investments comprised a number of individual investments, of which the following investments are material to the Group:

- (a) The Group acquired 8,487,385 Series C preference shares of Kymab Group Limited ("Kymab") with a consideration of USD36,500,000 in 2017. The Group also acquired another convertible preference shares with a consideration of USD3,500,000 in 2019. The fair value of the investment in Kymab was RMB241,766,000, RMB259,427,000 and RMB312,532,000 as at 31 December 2017, 2018 and 2019, respectively.
- (b) The Company entered into a purchase and sale agreement to purchase a limited partnership interest in TPG Biotechnology Partners IV, L.P. ("TPG IV") in 2014. Pursuant to the relevant partnership agreements of TPG IV, the Group is entitled to investment return, but has no representative in authority, like investment committee, thus the Group has no right or power to participate in the management or control of TPG IV. Therefore, the Group has neither control nor significant influence on TPG IV and it is treated as financial asset at fair value through profit or loss. The fair value of the investment in TPG IV was RMB104,983,000, RMB89,744,000 and RMB51,046,000 as at 31 December 2017, 2018 and 2019, respectively.
- (c) The Company entered into a purchase and sale agreement to purchase a limited partnership interest in TPG Biotechnology Partners V, L.P. ("TPG V") with cash commitment amount of USD60,000,000 in 2016. The Company paid RMB96,690,000, RMB57,486,000 and 100,654,000 during the years ended 31 December 2017, 2018 and 2019, respectively. Pursuant to the relevant partnership agreements of TPG V, the Group is entitled to investment return, but has no representative in authority, like investment committee, thus the Group has no right or power to participate in the management or control of TPG V. Therefore, the Group has neither control nor significant influence on TPG V and it is treated as financial asset at fair value through profit or loss. The fair value of the investment in TPG V was RMB116,613,000, RMB181,109,000, and RMB379,819,000 as at 31 December 2017, 2018 and 2019, respectively.
- (d) The Group entered into two share purchase agreements to purchase a limited partnership interest in ORI Healthcare Fund, L.P. ("ORI") in 2016. Pursuant to the relevant

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS—continued

partnership agreements of ORI, the Group is entitled to investment return, but has no representative in authority, like investment committee, thus the Group has no right or power to participate in the management or control of ORI. Therefore, the Group has neither control nor significant influence on ORI and it is treated as financial asset at fair value through profit or loss. The fair value of the investment in ORI was RMB190,890,000, RMB221,873,000 and RMB216,564,000 as at 31 December 2017, 2018 and 2019, respectively.

- (e) The Group entered into a share purchase agreement with Shenzhen Top Dental Medical Co., Ltd. (“Top Dental”), pursuant to which the Group agreed to acquire 14% of shares of Top Dental with a consideration of RMB35,000,000 in 2016 and acquired additional 0.62% of the issued shares with the consideration of RMB10,000,000 in 2018. The fair value of the investment in Top Dental was RMB90,400,000, RMB104,500,000 and RMB136,000,000 as at 31 December 2017, 2018 and 2019, respectively.
- (f) The Group entered into a share purchase agreement with Shanghai Labway Clinical Laboratory Co., Ltd. (“Labway”), pursuant to which the Group agreed to acquire 1,190,000 shares of Labway with a consideration of RMB29,964,000 in 2016. The fair value of the investment in Labway was RMB33,915,000, RMB36,500,000 and RMB41,400,000 as at 31 December 2017, 2018 and 2019, respectively.
- (g) The Group entered into a purchase agreement to purchase a limited partnership interest in Hejia Hongli (Hang Zhou) Venture Investment Partnership (L.P.) (“Hejia Hongli”) with a consideration of RMB20,000,000, in 2015. The fair value of the investment in Hejia Hongli was RMB24,554,000, RMB32,995,000, and RMB42,403,000 as at 31 December 2017, 2018 and 2019, respectively.
- (h) The Group entered into a purchase agreement to purchase a limited partnership interest in CDH Avatar, L.P. (“CDH”) with a consideration of USD1,500,000 in 2015. The fair value of the investment in CDH was RMB12,076,000, RMB4,730,000 and RMB6,679,000 as at 31 December 2017, 2018 and 2019, respectively.

(3) Convertible loan

According to the terms and conditions of the convertible loan with Shenzhen Moshi Jianye Investment Center (limited partnership) (“Moshi Jianye”), the Group is entitled to convert the convertible loan into equity capital of the relevant medical developing company at its own discretion before the maturity of the convertible loan. The convertible loan was classified as financial assets at fair value through profit or loss. In July 2018, the Group exercised the convertible option.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current			
Warrants	43,150	77,174	24,768

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**22. DERIVATIVE FINANCIAL INSTRUMENTS—continued**

The Group entered into share purchase agreements with Resverlogix Corp., pursuant to which each purchased unit is comprised of one common share and common share purchase warrants. Warrants are not designated for hedge purposes and are measured at fair value through profit or loss. The changes in the fair value of the warrants were charged to the statement of profit or loss during the Relevant Periods.

23. OTHER NON-CURRENT ASSETS**Group**

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayment for purchase of property plant and equipment	60,534	38,808	15,132
Prepayment for marketing authorisation	80,405	99,758	99,757
Long-term interest receivables	2,529	7,761	—
Debt investment*	—	—	74,183
	<u>143,468</u>	<u>146,327</u>	<u>189,072</u>

* The Group purchased a debt financing plan on 15 November 2019. The debt financing plan was issued on 17 April 2018 with a term of 36 months and a fixed interest rate of 8.5% per annum.

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayment for purchase of property plant and equipment	37,797	6,145	2,517
Debt investment	—	—	74,183
	<u>37,797</u>	<u>6,145</u>	<u>76,700</u>

24. INVENTORIES**Group**

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Raw materials and consumables	406,034	559,116	740,841
Work in progress	296,829	298,875	465,808
Finished goods	650,729	788,568	1,156,519
	<u>1,353,592</u>	<u>1,646,559</u>	<u>2,363,168</u>

The inventories are net of a write-down of approximately RMB86,493,000, RMB100,004,000 and RMB128,961,000 as at 31 December 2017, 2018 and 2019, respectively.

The information about the pledged assets is disclosed in note 45 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24. INVENTORIES—continued

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Raw materials	129,471	130,521	239,240
Work in progress	186,161	138,193	306,123
Finished goods	114,234	94,655	235,927
	<u>429,866</u>	<u>363,369</u>	<u>781,290</u>

The inventories are net of a write-down of approximately RMB557,000, RMB974,000 and RMB241,000 as at 31 December 2017, 2018 and 2019, respectively.

25. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade receivables	710,738	1,109,381	1,281,020
Bills receivable	11,097	1,270	22,826
Allowance for expected credit losses	(18,633)	(26,162)	(21,721)
	<u>703,202</u>	<u>1,084,489</u>	<u>1,282,125</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the billing date and net of allowance for expected credit losses, is as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 90 days	642,198	1,019,880	1,221,105
90 to 180 days	13,858	33,962	13,363
180 days to 1 year	24,784	11,125	39,523
1 year to 2 years	19,486	14,845	3,972
Over 2 years	2,876	4,677	4,162
	<u>703,202</u>	<u>1,084,489</u>	<u>1,282,125</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. TRADE AND BILLS RECEIVABLES—continued

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At beginning of year	15,044	18,633	26,162
Impairment losses, net	5,571	10,110	(2,367)
Write-off	(620)	(2,902)	(2,581)
Exchange realignment	(1,362)	321	507
	<u>18,633</u>	<u>26,162</u>	<u>21,721</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

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

	As at 31 December 2017		
	Amount	Expected loss rate	Impairment
	RMB'000	%	RMB'000
Current	536,482	0.50	2,682
Past due less than 3 months	98,196	0.91	896
Past due 3 to 6 months	13,987	0.91	128
Past due 6 to 12 months	25,012	0.91	228
Past due 1 to 2 years	27,927	30.23	8,441
Past due over 2 years	9,134	68.51	6,258
	<u>710,738</u>		<u>18,633</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. TRADE AND BILLS RECEIVABLES—continued

	As at 31 December 2018		
	Amount	Expected loss rate	Impairment
	RMB'000	%	RMB'000
Current	869,530	0.50	4,347
Past due less than 3 months	154,839	0.91	1,412
Past due 3 to 6 months	34,275	0.91	313
Past due 6 to 12 months	11,227	0.91	102
Past due 1 to 2 years	21,345	30.45	6,500
Past due over 2 years	18,165	74.25	13,488
	<u>1,109,381</u>		<u>26,162</u>

	As at 31 December 2019		
	Amount	Expected loss rate	Impairment
	RMB'000	%	RMB'000
Current	969,001	0.50	4,846
Past due less than 3 months	235,817	0.72	1,694
Past due 3 to 6 months	13,460	0.72	97
Past due 6 to 12 months	39,809	0.72	286
Past due 1 to 2 years	5,573	28.73	1,601
Past due over 2 years	17,360	76.02	13,197
	<u>1,281,020</u>		<u>21,721</u>

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade receivables	167,719	134,298	76,541
Bills receivable	11,063	1,270	15,987
Allowance for expected credit losses	(3,942)	(5,827)	(452)
	<u>174,840</u>	<u>129,741</u>	<u>92,076</u>

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At beginning of year	1,229	3,942	5,827
Impairment losses, net	2,713	3,772	(5,375)
Write-off	—	(1,887)	—
	<u>3,942</u>	<u>5,827</u>	<u>452</u>

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9.

The information about the pledged assets is disclosed in note 45 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26. CONTRACT ASSETS

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contract assets arising from service	11,389	17,384	31,186

The contract assets relate to the Group's right to consideration for work completed and not billed.

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayments	252,935	206,628	431,266
Deposits and other receivables*	56,239	57,725	62,360
Interest receivables	202,849	68,902	12,152
VAT refund receivables	43,334	48,582	42,832
VAT recoverable	91,609	83,645	60,330
Prepaid tax	203	459	534
Prepaid expenses	13,356	20,945	33,274
Less: Impairment**	(8,110)	(10,085)	(13,188)
	652,415	476,801	629,560

* Deposits and other receivables are unsecured, non-interest-bearing and repayable on demand.

** As at 31 December 2017, 2018 and 2019, the impairment of the financial assets included in prepayments, other receivables and other assets were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayments	238,230	175,439	400,489
Deposits and other receivables*	39,162	35,333	15,117
Interest receivables	202,849	68,902	12,152
VAT refund receivables	26,457	24,616	37,238
VAT recoverable	19,053	12,121	6,849
Prepaid expenses	—	4,223	6,824
Prepaid tax	—	—	534
Less: Impairment	(2,556)	(3,788)	(4,936)
	523,195	316,846	474,267

* Deposits and other receivables are unsecured, non-interest-bearing and repayable on demand.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and bank balances	535,611	1,229,837	1,138,105
Time deposits	3,061,549	891,909	127,510
	<u>3,597,160</u>	<u>2,121,746</u>	<u>1,265,615</u>
Less:			
Pledged deposits	6,141	3,837	61,568
Time deposits with original maturity over three months:			
—non-current	490,909	127,510	—
—current	<u>2,369,640</u>	<u>464,299</u>	<u>127,510</u>
Cash and cash equivalents	<u>730,470</u>	<u>1,526,100</u>	<u>1,076,537</u>

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents and time deposits			
Denominated in			
—RMB	3,336,274	1,670,007	908,351
—USD	203,024	421,530	270,496
—EUR	53,242	24,274	53,091
—HKD	960	2,640	162
—Others	<u>3,660</u>	<u>3,295</u>	<u>33,515</u>
	<u>3,597,160</u>	<u>2,121,746</u>	<u>1,265,615</u>

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three years depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

Pledged deposits earn interest at interest rates stipulated by the respective financial institutions.

The information about the pledged assets is disclosed in note 45 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS—continued

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and bank balances	167,389	733,673	661,877
Time deposits	3,060,549	890,909	127,510
	<u>3,227,938</u>	<u>1,624,582</u>	<u>789,387</u>
Less:			
Time deposit with original maturity over three months:			
—non-current	490,909	127,510	—
—current	<u>2,369,640</u>	<u>463,299</u>	<u>127,510</u>
Cash and cash equivalents	<u>367,389</u>	<u>1,033,773</u>	<u>661,877</u>
	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents and time deposit			
Denominated in			
—RMB	3,227,217	1,550,549	640,139
—USD	691	73,945	147,127
—EUR	30	88	75
—Others	—	—	2,046
	<u>3,227,938</u>	<u>1,624,582</u>	<u>789,387</u>

29. TRADE AND BILLS PAYABLES

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Bills payable	3,344	—	—
Trade payables	<u>159,130</u>	<u>205,273</u>	<u>228,661</u>
	<u>162,474</u>	<u>205,273</u>	<u>228,661</u>

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 1 year	161,562	203,668	226,579
1 year to 2 years	225	778	1,617
2 years to 3 years	62	194	262
Over 3 years	<u>625</u>	<u>633</u>	<u>203</u>
	<u>162,474</u>	<u>205,273</u>	<u>228,661</u>

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. TRADE AND BILLS PAYABLES—continued

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade payables	<u>6,516</u>	<u>13,672</u>	<u>13,583</u>

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 1 year	6,516	13,465	13,583
1 year to 2 years	—	207	—
	<u>6,516</u>	<u>13,672</u>	<u>13,583</u>

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

30. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Other payables	33,014	43,848	94,480
Accruals	86,154	105,136	157,019
Payables for purchase of property, plant and equipment	41,395	132,251	99,996
Payables for purchase of other intangible assets	29,259	14,717	—
Interest payables	15,877	19,826	—
Salary payables	125,773	157,292	152,420
Other tax payables	8,552	20,613	24,822
	<u>340,024</u>	<u>493,683</u>	<u>528,737</u>

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Other payables	9,467	4,985	3,666
Accruals	16,092	7,961	25,362
Payables for purchase of property, plant and equipment	23,888	124,830	87,027
Interest payables	7,080	10,672	—
Salary payables	57,727	58,620	54,445
Other tax payables	459	297	265
	<u>114,713</u>	<u>207,365</u>	<u>170,765</u>

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**31. CONTRACT LIABILITIES****Group**

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Sale of products	12,730	9,177	3,642
CDMO services	116,668	215,344	196,626
Others	—	30,322	—
	<u>129,398</u>	<u>254,843</u>	<u>200,268</u>

Company

The Company recognised the following revenue-related contract liabilities:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Sale of products	<u>—</u>	<u>6,690</u>	<u>—</u>

The Group and Company receive payments from customers based on billing schedules as established in the sales contracts. Payments are usually received in advance of the performance under the contracts which are mainly from customers.

The Group also receives payments from customers based on billing schedules as established in the CDMO service contracts. Payments are usually received in advance of the performance under the contracts which are mainly from CDMO services for clients.

All the obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

31 December 2017

As at 31 December 2017			
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—secured ^(a)	2.19%-5.6%	2018	786,698
Bank loans—unsecured	2.3%-5.7%, 6MLIBOR+275BP	2018	1,281,048
Current portion of long—term bank loans— secured ^(a)	2.2%-5.0%, LIBOR+150BP-200BP, 3MLIBOR+130BP	2018	1,111,986
Other borrowings—unsecured ^(b)	5.8%	2018	80,000
			<u>3,259,732</u>
Non-current			
Bank loans—secured ^(a)	4.4%, LIBOR+150BP, 3MLIBOR+130BP	2019-2020	831,546
Corporate bonds ^(c)	3.4%	2021	992,787
			<u>1,824,333</u>

31 December 2018

As at 31 December 2018			
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—secured ^(a)	2.5%-6.3%, 6MLIBOR+282BP, 3MLIBOR+130BP	2019	766,381
Bank loans—unsecured	2.6%-6.5%	2019	937,400
Current portion of long—term bank loans— secured ^(a)	4.4%	2019	4,999
Current portion of long—term bank loans— unsecured	LIBOR+150BP	2019	476,992
Other borrowings—unsecured ^(b)	3.5%-5.4%	2019	277,710
			<u>2,463,482</u>
Non-current			
Bank loans—secured ^(a)	6.5%, 3MLIBOR+130BP-150BP, LIBOR+Applicable margin	2020-2023	1,454,834
Corporate bonds ^(c)	3.4%	2021	994,608
			<u>2,449,442</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. INTEREST-BEARING BANK AND OTHER BORROWINGS—continued

31 December 2019

	As at 31 December 2019		
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—secured ^(a)	1.1%-4.8%, 3MLIBOR+130BP	2020	1,689,405
Bank loans—unsecured	3.1%-4.9%	2020	507,340
Current portion of long—term bank loans— secured ^(a)	5.4%-6.5%, 3MLIBOR+130BP-150BP LIBOR+APPLICABLE MARGIN	2020	553,195
Other borrowings—unsecured ^(b)	2.9%-4.5%	2020	730,700
Current portion of corporate bonds ^(c)	5.5%-6.5%	2020	458,700
			<u>3,939,340</u>
Non-current			
Bank loans—secured ^(a)	5.4%-6.5%, 3MLIBOR+150BP, LIBOR+APPLICABLE MARGIN	2021-2029	1,658,959
Corporate bonds ^(c)	5.5%-6.0%	2021-2023	695,694
			<u>2,354,653</u>

Analysed into:

	As at 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Repayable:			
Within one year	3,259,732	2,463,482	3,939,340
In the second year	459,097	380,442	422,308
In the third to fifth years, inclusive	1,365,236	2,069,000	1,932,345
	<u>5,084,065</u>	<u>4,912,924</u>	<u>6,293,993</u>

Company

31 December 2017

	As at 31 December 2017		
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—unsecured	2.3%-5.7%	2018	1,281,048
Other borrowings—unsecured	5.8%	2018	80,000
			<u>1,361,048</u>
Non-current			
Corporate bonds	3.4%	2021	992,787

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. INTEREST-BEARING BANK AND OTHER BORROWINGS—continued

Company—continued

31 December 2018

	As at 31 December 2018		
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—unsecured	2.6%-5.7%	2019	937,400
Other borrowings—unsecured	3.5%-5.4%	2019	95,000
			<u>1,032,400</u>
Non-current			
Bank loans—secured	6.5%	2023	545,280
Corporate bonds	3.4%	2021	994,608
			<u>1,539,888</u>

31 December 2019

	As at 31 December 2019		
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—secured	4.6%-4.8%	2020	849,232
Bank loans—unsecured	3.1%-4.9%	2020	507,341
Current portion of long-term bank loans—secured . . .	5.4%-6.5%	2020	87,020
Other borrowings—unsecured	2.9%-4.5%	2020	500,000
Current portion of corporate bonds	5.5%-6.5%	2020	458,700
			<u>2,402,293</u>
Non-current			
Bank loans—secured	5.4%-6.5%	2023-2029	1,068,352
Corporate bonds	5.5%-6.0%	2021-2023	695,694
			<u>1,764,046</u>

Analysed into:

	As at 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Repayable:			
Within one year	1,361,048	1,032,400	2,402,293
In the second year	—	54,528	145,353
In the third to fifth years, inclusive	<u>992,787</u>	<u>1,485,360</u>	<u>1,618,693</u>
	<u>2,353,835</u>	<u>2,572,288</u>	<u>4,166,339</u>

(a) As at 31 December 2017, 2018 and 2019, the mortgaged and guaranteed bank loans with the amounts of RMB159,242,000, RMB317,039,000 and RMB454,267,000 were secured by the total assets owned by SPL, respectively. As at 31 December 2017, 2018 and 2019, the pledged assets have a net carrying amount of approximately RMB1,111,883,000, RMB1,485,333,000 and RMB1,654,098,000, respectively.

As at 31 December 2019, the pledged bank loans with the amounts of RMB1,371,002,000 were secured by the real estate of the Company located in Pingshan District, Shenzhen. As at 31 December 2019, the real estate of the Company located in Pingshan District, Shenzhen have a net carrying amount of approximately RMB513,013,000.

As at 31 December 2017, 2018 and 2019, Mr. Li Li and Shenzhen Topknow Industrial Development Co., Ltd have guaranteed certain of the Group's bank loans of up to RMB383,221,000, RMB96,388,000 and nil, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**32. INTEREST-BEARING BANK AND OTHER BORROWINGS—continued**

As at 31 December 2018 and 2019, the pledged bank loans with the amounts of RMB545,280,000 and RMB1,135,223,000 were secured by the pledge of 100% of shares of Shenzhen Topknow Industrial Development Co., Ltd, Mr. Li Li and Ms. Li Tan respectively. As at 31 December 2017, 2018 and 2019, the pledged bank loans with the amounts of RMB2,187,767,000, RMB1,267,507,000 and RMB941,067,000 were secured by Company.

- (b) As at 31 December 2017, 2018 and 2019, other borrowings included discounted notes receivable of RMB80,000,000, RMB95,000,000 and RMB500,000,000, and letters of credit of nil, RMB182,710,000 and RMB230,700,000, respectively.
- (c) On 8 November 2016, the Company issued a domestic corporate bond at a par value of RMB1,000,000,000 in the PRC (the "16 Hepalink"). The 16 Hepalink will mature in five years from the issue date. Upon the third anniversary of the issue date, the Company shall be entitled to adjust the coupon rate and the bond holders shall be entitled to sell back the whole or partial 16 Hepalink at par. The 16 Hepalink was listed on 8 November 2016 on the Shenzhen Stock Exchange and bears interest at the rate of 3.19% per annum, payable annually in arrears or on the business day nearest to 8 November of each year, starting from 8 November 2017. On 7 November 2019, the Company paid the bond with a principal of RMB994,103,000 and the corresponding interests.

On 23 April 2019, the Company issued a corporate bond at a par value of RMB700,000,000 in the PRC (the "19 Hepalink"). The 19 Hepalink will mature in five years from the issue date. Upon the third anniversary of the issue date, the Company shall be entitled to adjust the coupon rate and the bond holders shall be entitled to sell back the whole or partial 19 Hepalink at par. The 19 Hepalink bears interest at the rate of 5.50% per annum, payable annually in arrears or on the business day nearest to 23 April of each year, starting from 23 April 2019. In connection with the bond issuance, Shenzhen Gaoxintou Group Co., Ltd. ("Shenzhen Gaoxintou"), an independent third party of financing and guarantee service provider, guaranteed our repayment obligations under the bond. In return, Mr. Li Li provided a counter-guarantee to Shenzhen Gaoxintou of such obligations, for a period of two years from the date when Shenzhen Gaoxintou's repayment obligations expire under its guarantee agreement.

On 30 October 2019, the Company issued a corporate bond at a par value of RMB430,000,000 in the PRC (the "19 Hepalink 01"). The 19 Hepalink 01 will mature in one years from the issue date. Upon the one anniversary of the issue date, the Company shall be entitled to adjust the coupon rate and the bond holders shall be entitled to sell back the whole or partial 19 Hepalink 01 at par. The 19 Hepalink 01 bears interest at the rate of 6.50% per annum, payable annually in arrears or on the business day nearest to 30 October of each year, starting from 30 October 2019.

33. DEFERRED INCOME**Group**

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Government grants	42,345	31,254	20,816

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Government grants	10,254	4,664	3,975

Government grants received for compensate for the Group's research and development costs which has not yet been undertaken are included in deferred income and recognised as income on a systematic basis of over the periods that the cost, which it is intended to compensate, are expensed. Government grants received relates to assets invested in laboratory equipment and plant were credited to deferred income and are recognised as income over the expected useful lives of the relevant assets.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX

Group

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

	Deferred tax assets										Total			
	Fair value adjustments of financial assets at fair value through other comprehensive income	Fair value adjustments of financial assets at fair value through profit and loss	Fair value loss on derivative instruments	Impairment of assets	Adjustment of share of profits and losses of associates	Accrued interest expenses	Unrealised profits from intercompany transactions	Accrued bonus	Accrued pension	Tax losses		Amortization of customer relationships and trade marks	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017:	4,091	1,094	—	3,015	9,332	38,858	6,013	4,385	11,832	119,076	13,894	7,863	219,453	
Deferred tax credited/(charged) to the statement of profit or loss during the year	—	5,981	—	1,773	10,317	(8,251)	12,094	(43)	—	(44,432)	(6,787)	(767)	(30,115)	
Deferred tax credited/(charged) to other comprehensive income or other reserve during the year	6,677	—	—	(120)	(2,191)	—	—	(254)	(1,923)	—	—	—	2,563	
Exchange differences	(458)	—	—	657	657	(1,985)	—	(254)	(623)	2,049	(582)	(149)	(1,465)	
At 31 December 2017:	10,310	7,075	—	4,668	18,115	28,622	18,107	4,088	9,286	76,693	6,525	6,947	190,436	
At 1 January 2018	10,310	7,075	—	4,668	18,115	28,622	18,107	4,088	9,286	76,693	6,525	6,947	190,436	
Deferred tax (charged)/credited to the statement of profit or loss during the year	—	(4,761)	—	2,294	49,094	3,737	23,969	(411)	—	(53,337)	(1,787)	3,683	22,481	
Deferred tax credited/(charged) to other comprehensive income or other reserve during the year	2,679	—	—	(8,689)	(8,689)	—	—	—	(1,653)	—	—	—	(7,663)	
Exchange differences	614	—	—	157	262	1,576	—	191	408	2,723	263	243	6,437	
At 31 December 2018:	13,603	2,314	—	7,119	58,782	33,935	42,076	3,868	8,041	26,079	5,001	10,873	211,691	

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Group

The movements in deferred tax assets during the Relevant Periods are as follows (continued):

	Deferred tax assets											
	Fair value adjustments of financial assets at fair value through other comprehensive income	Fair value loss on derivative instruments	Fair value impairment of assets	Adjustment of share of profits and losses of associates	Accrued interest expenses	Unrealised profits from intercompany transactions	Accrued bonus	Accrued pension	Tax losses	Amortization of customer relationships and trademarks	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	13,603	2,314	—	7,119	58,782	42,076	3,868	8,041	26,079	5,001	10,873	211,691
Deferred tax (charged)/ credited to the statement of profit or loss during the year	—	(2,314)	4,818	487	(10)	14,877	3,092	—	10,256	(1,771)	(1,733)	37,244
Deferred tax credited/(charged) to other comprehensive income or other reserve during the year	7,879	—	—	—	(13,406)	—	—	13,576	—	—	—	8,049
Exchange differences	320	—	—	82	130	—	101	299	232	60	1,915	3,814
At 31 December 2019	21,802	—	4,818	7,688	45,496	56,953	7,061	21,916	36,567	3,290	11,055	260,798

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Group

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Deferred tax liabilities							Total RMB'000
	Fair value adjustments of financial assets at fair value through other comprehensive income RMB'000	Fair value gain on derivative instruments RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Adjustment of amortization of goodwill RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Disposal of a subsidiary RMB'000	Fair value adjustments of financial assets at fair value through profit and loss RMB'000	
At 1 January 2017	60,360	1,937	241,038	157,325	52,601	—	—	515,783
Deferred tax credited to the statement of profit or loss during the year	—	(148)	(98,844)	(47,381)	(22,912)	—	—	(170,251)
Deferred tax credited to other comprehensive income during the year	(26,187)	—	—	—	—	—	—	(26,187)
Exchange differences	—	—	(10,333)	(7,571)	(2,258)	—	—	(116)
At 31 December 2017	34,173	1,789	131,861	102,373	27,431	—	—	299,067
At 1 January 2018	34,173	1,789	131,861	102,373	27,431	—	—	299,067
Deferred tax charged/(credited) to the statement of profit or loss during the year	—	5,104	(11,767)	9,935	21,438	—	—	24,937
Deferred tax credited to other comprehensive income during the year	(34,173)	—	5,898	5,509	2,042	—	—	(34,173)
Exchange differences	—	—	125,992	117,817	50,911	—	—	303,363
At 31 December 2018	—	6,893	125,992	117,817	50,911	—	—	303,363
At 1 January 2019	—	6,893	125,992	117,817	50,911	—	—	303,363
Deferred tax (credited)/charged to the statement of profit or loss during the year	—	(6,893)	3,398	17,071	9,421	88,816	24,463	136,602
Exchange differences	—	—	2,019	2,149	890	—	—	5,088
At 31 December 2019	—	—	131,409	137,037	61,222	88,816	24,463	445,053

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Group

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	21,816	110,831	117,749
Net deferred tax liabilities recognised in the consolidated statement of financial position	130,447	202,503	302,004

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Impairment of assets	7,308	14,840	36,653
Tax losses	262,044	449,142	475,134
	269,352	463,982	511,787

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. Deferred tax assets have not been recognised in respect of losses arisen in 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Company

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

	Fair value adjustments of financial assets at fair value through profit and loss	Deferred tax assets					Total
		Fair value adjustments of financial assets at fair value through profit and loss	Fair value loss on derivative instruments	Impairment of assets	Adjustment of share of profits and losses of associates	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	—	—	—	265	6,742	3,635	10,642
Deferred tax credited/(charged) to the statement of profit or loss during the year	—	5,902	—	371	9,360	(955)	14,678
At 31 December 2017	—	5,902	—	636	16,102	2,680	25,320
At 1 January 2018	—	5,902	—	636	16,102	2,680	25,320
Deferred tax credited/(charged) to the statement of profit or loss during the year	—	1,895	—	1,359	41,170	(535)	43,889
Deferred tax credited/(charged) to other comprehensive income or other reserve during the year	28	—	—	—	(5,221)	—	(5,193)
At 31 December 2018	28	7,797	—	1,995	52,051	2,145	64,016
At 1 January 2019	28	7,797	—	1,995	52,051	2,145	64,016
Deferred tax (charged)/credited to the statement of profit or loss during the year	—	(7,797)	4,818	(1,150)	2,294	100	(1,735)
Deferred tax charged to other comprehensive income or other reserve during the year	(28)	—	—	—	(17,340)	—	(17,368)
At 31 December 2019	—	—	4,818	845	37,005	2,245	44,913

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Company

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Deferred tax liabilities			
	Fair value adjustments of finance assets at fair value through other comprehensive income	Fair value gain on derivative instruments	Fair value adjustments of financial assets at fair value through profit and loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	60,360	1,937	127	62,424
Deferred tax credited to the statement of profit or loss during the year	—	(148)	(127)	(275)
Deferred tax credited to other comprehensive income during the year	(26,187)	—	—	(26,187)
At 31 December 2017	<u>34,173</u>	<u>1,789</u>	<u>—</u>	<u>35,962</u>
At 1 January 2018	34,173	1,789	—	35,962
Deferred tax charged to the statement of profit or loss during the year	—	5,105	—	5,105
Deferred tax credited to other comprehensive income during the year	(34,173)	—	—	(34,173)
At 31 December 2018	<u>—</u>	<u>6,894</u>	<u>—</u>	<u>6,894</u>
At 1 January 2019	—	6,894	—	6,894
Deferred tax (credited)/charged to the statement of profit or loss during the year	—	(6,894)	7,332	438
At 31 December 2019	<u>—</u>	<u>—</u>	<u>7,332</u>	<u>7,332</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statement of financial position	<u>—</u>	<u>57,122</u>	<u>37,581</u>
Net deferred tax liabilities recognised in the statement of financial position	<u>10,642</u>	<u>—</u>	<u>—</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. LONG-TERM EMPLOYEE BENEFITS

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Stock appreciation rights	7,039	10,468	13,765
Net defined benefit retirement obligation	67,915	67,139	95,238
	<u>74,954</u>	<u>77,607</u>	<u>109,003</u>

(a) Stock Appreciation Rights (SARs)

The board of SPL Acquisition Corp (“SPL”), a wholly-owned subsidiary of the Company, approved a long-term incentive plan in December 2015. Under this plan, SPL could issue up to 50,000 Stock Appreciation Rights (“SARs”). As at 31 December 2017, 2018 and 2019, 49,225 SARs, 49,225 SARs and 48,350 SARs had been granted.

Pursuant to the long-term incentive plan, the income obtained by the beneficiary is the incremental part between the exercise value and the initial value. The exercise value is the lesser of the common stock value and the formula value. Among which, the formula value is the specified EBITDA divided by the shares of common stocks.

The initial value of SARs granted in 2015, 2016 and 2017 were \$562.30 per SARs, \$562.30 per SARs and \$500.62 per SARs, respectively. The settlement or payment of SARs may be in the form of cash or equivalent SPL’s or the Company’s common stock, or both. The grant of SARs lasts for four years and the expiration date is the tenth year since the grant date. Vesting of SARs is in accordance with the terms in respective grant agreements signed with the participants. As at 31 December 2017, 2018 and 2019, 37,500 SARs, 44,600 SARs and 46,725 SARs had been vested.

Any vested SARs granted shall become exercisable in three equal instalments with the first instalment becoming exercisable on the fifth anniversary of the grant date and in the next two instalments on the seventh anniversary of the grant date and the ninth anniversary of the grant date.

(b) Net Defined Benefit Retirement Obligation

The Group makes contributions to a defined benefit retirement plan for the employees working in SPL Acquisition Corp., which covers 15%, 11% and 12% of the Group’s employees during the years ended 31 December 2017, 2018 and 2019, respectively. The plan is administered by a trustee, who is independent, with its assets held separately from those of the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. LONG-TERM EMPLOYEE BENEFITS—continued

(b) Net Defined Benefit Retirement Obligation—continued

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on an annual actuarial valuation. The independent actuarial valuation of the plan during the Relevant Periods was prepared by certified insurance actuaries of AON plc by using the projected unit cost method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan were 45%, 49% and 48% covered by the plan assets held by the trustees at 31 December 2017, 2018 and 2019, respectively.

The plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Present value of wholly or partly funded by obligation	127,488	137,452	188,346
Fair value of plan assets	(57,593)	(67,698)	(89,927)
	69,895	69,754	98,419
Expected to be settled in the next twelve months	(1,980)	(2,615)	(3,181)
	67,915	67,139	95,238

(ii) Plan assets

As at 31 December 2017, 2018 and 2019, the Group's liability under this plan was covered by deposits placed with several banks. There is no plan asset invested in the Company's own financial instruments or any property occupied or other assets used by the Group.

(iii) Movements in the present value of the defined benefit obligation

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of year	109,584	127,488	137,452
Actuarial losses/(gains) arising from experience	13,250	(10,192)	33,644
Benefits paid by the plan	(907)	(1,153)	(1,369)
Current service cost	8,220	9,827	9,700
Interest cost	4,532	4,941	6,069
Exchange difference	(7,191)	6,541	2,850
At the end of year	127,488	137,452	188,346

The weighted average duration of the defined benefit obligation was 18.6 years, 17.4 years and 18.0 years during the years ended 31 December 2017, 2018 and 2019, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. LONG-TERM EMPLOYEE BENEFITS—continued

(b) Net Defined Benefit Retirement Obligation—continued

(iv) Movements in plan assets

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of year	50,200	57,593	67,698
Group's contributions paid to the plan	8,730	9,045	14,818
Benefits paid by the plan	(877)	(1,153)	(1,369)
Interest income	2,016	2,365	2,873
Return on plan assets, excluding interest income	523	(3,300)	4,538
Exchange difference	(2,999)	3,148	1,369
At the end of year	<u>57,593</u>	<u>67,698</u>	<u>89,927</u>

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current service cost	8,220	9,827	9,700
Net interest on the net defined benefit liability	2,516	2,576	3,196
Total amount recognised in profit or loss	<u>10,736</u>	<u>12,403</u>	<u>12,896</u>
Actuarial losses/(gains)	13,250	(10,192)	33,644
Return on plan assets, excluding interest income	(523)	3,300	(4,538)
Total amounts recognised in other comprehensive income	<u>12,727</u>	<u>(6,892)</u>	<u>29,106</u>
Total defined benefits costs	<u>23,463</u>	<u>5,511</u>	<u>42,002</u>

The current service cost and the net interest on the net defined benefit liability are recognised in cost of sales, selling and distribution expenses and administrative expenses in the consolidated statement of profit or loss.

(vi) Significant actuarial assumptions (expressed as weighted averages) and a sensitivity analysis are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Discount rate	3.67%	4.30%	3.34%
Future salary increases	3.50%	3.50%	3.50%
Expected long-term rate of return	3.75%	3.75%	2.90%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. LONG-TERM EMPLOYEE BENEFITS—continued

(b) Net Defined Benefit Retirement Obligation—continued

The analysis below shows how the defined benefit obligation would have increased/(decreased) as a result of a 1% change in the significant actuarial assumptions:

Increase 1%	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Discount rate	(21,718)	(20,153)	(20,962)
Future salary increases	11,250	9,918	10,315
Expected long-term rate of return	(576)	(677)	(899)
Decrease 1%			
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Discount rate	28,182	25,815	26,851
Future salary increases	(9,694)	(8,642)	(8,989)
Expected long-term rate of return	576	677	899

36. LEASE LIABILITIES

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current			
Lease liabilities	28,968	30,809	31,980
Non-current			
Lease liabilities	127,062	106,718	87,253
	<u>156,030</u>	<u>137,527</u>	<u>119,233</u>

Movement of the lease liabilities:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of year	128,501	156,030	137,527
Additions	64,353	5,266	14,451
Interest expenses	9,246	7,193	5,684
Payments	(39,172)	(36,370)	(39,418)
Early termination	—	—	(450)
Exchange realignment	(6,898)	5,408	1,439
Ending balance	<u>156,030</u>	<u>137,527</u>	<u>119,233</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. LEASE LIABILITIES—continued

A maturity analysis of the lease liabilities as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Less than 3 months	7,143	7,765	8,165
3 to less than 12 months	21,825	23,044	23,815
1 to 3 years	53,301	49,506	43,137
Over 3 years	73,761	57,212	44,116
	<u>156,030</u>	<u>137,527</u>	<u>119,233</u>

During the Relevant Periods, the Group entered into certain long-term lease contracts for office premises, manufacturing facilities, warehouses, vehicles and equipment.

During the Relevant Periods, the Group also leased certain office premises, vehicles, tools and equipment under short-term (i.e. within 12 months) lease arrangement. The Group has elected not to recognise right-of-use assets on these short-term lease contracts. There are no restrictions or covenants imposed and no sale and leaseback transactions.

The following future cash outflows of the Group is potentially exposed to that are not reflected in the measurement of lease liabilities:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Future cash outflows for short-term leases	<u>1,087</u>	<u>1,089</u>	<u>302</u>

Company

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current			
Lease liabilities	1,401	2,086	4,403
Non-current			
Lease liabilities	20,146	19,618	31,611
	<u>21,547</u>	<u>21,704</u>	<u>36,014</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. LEASE LIABILITIES—continued

Movement of the lease liabilities:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of year	23,499	21,547	21,705
Additions	—	2,170	17,311
Interest expenses	1,059	1,025	1,235
Payments	(3,011)	(3,038)	(4,237)
Ending balance	<u>21,547</u>	<u>21,704</u>	<u>36,014</u>

A maturity analysis of the lease liabilities as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Less than 3 months	502	513	1,233
3 to less than 12 months	899	1,573	3,170
1 to 3 years	2,041	2,607	9,007
Over 3 years	18,105	17,011	22,604
	<u>21,547</u>	<u>21,704</u>	<u>36,014</u>

During the Relevant Periods, the Company entered into certain long-term lease contracts for office premises and warehouses.

During the Relevant Periods, the Company also leased certain office premises under short-term (i.e. within 12 months) lease arrangement from a subsidiary. The Company has elected not to recognise right-of-use assets on these short-term lease contracts. There are no restrictions or covenants imposed and no sale and leaseback transactions.

The following future cash outflows of the Company is potentially exposed to that are not reflected in the measurement of lease liabilities:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Future cash outflows for short-term leases	<u>6,034</u>	<u>4,598</u>	<u>4,599</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**37. SHARE CAPITAL**

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid 1,247,201,704 ordinary shares . . .	<u>1,247,202</u>	<u>1,247,202</u>	<u>1,247,202</u>

38. RESERVES**Group**

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity of the Historical Financial Information.

(i) Statutory surplus reserve

In accordance with the Company Law of the PRC, the company in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the company registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the company. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

(ii) Merger reserve

The merger reserve of the Group represents the difference between the aggregate of the then net assets of the subsidiary acquired and the consideration paid by the Group for the business combination under common control.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statement of foreign operations whose functional currencies are different from the Group's presentation currency.

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages I-6 to I-8 of the Historical Financial Information.

(iv) Share option reserve

The share option reserve of the Group represents the fair value of equity-settled share-based payment granted in 2012 and was early terminated in 2013.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. RESERVES—continued

Group—continued

(v) Fair value reserve

The fair value reserve of the Group represents the fair value movement of equity investment designated at fair value through other comprehensive income.

(vi) Defined benefit contribution reserve

The defined benefit contribution reserve of the Group represents actuarial losses/(gain) arising from a net defined benefit retirement obligation.

Company

	<u>Share premium</u> RMB'000	<u>Share option reserve</u> RMB'000	<u>Fair value reserve</u> RMB'000	<u>Other reserve</u> RMB'000	<u>Statutory surplus reserve</u> RMB'000	<u>Retained profits</u> RMB'000	<u>Total</u> RMB'000
At 1 January 2017	4,248,203	33,937	360,106	—	482,057	1,808,423	6,932,726
Profit for the year	—	—	—	—	—	80,949	80,949
Other comprehensive income for the year:							
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	(166,464)	—	—	—	(166,464)
Total comprehensive (loss)/ income for the year	—	—	(166,464)	—	—	80,949	(85,515)
Transfer from retained profits	—	—	—	—	8,228	(8,228)	—
Dividend declared to shareholders	—	—	—	—	—	(311,800)	(311,800)
Others	—	—	—	(705)	—	—	(705)
At 31 December 2017	<u>4,248,203</u>	<u>33,937</u>	<u>193,642</u>	<u>(705)</u>	<u>490,285</u>	<u>1,569,344</u>	<u>6,534,706</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. RESERVES—continued

	Share premium	Merger reserve	Share option reserve	Fair value reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	4,248,203	—	33,937	193,642	(705)	490,285	1,569,344	6,534,706
Profit for the year	—	—	—	—	—	—	284,841	284,841
Other comprehensive income for the year:								
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	(178,805)	—	—	—	(178,805)
Total comprehensive (loss)/ income for the year	—	—	—	(178,805)	—	—	284,841	106,036
Share of other reserves of associates	—	—	—	—	6,097	—	—	6,097
Acquisition of a subsidiary (note 41)	—	(1,996,731)	—	—	—	—	—	(1,996,731)
Transfer of fair value reserve of equity investments at fair value through other comprehensive income . . .	—	—	—	(14,995)	—	—	14,995	—
Transfer from retained profits	—	—	—	—	—	27,282	(27,282)	—
Dividend declared to shareholders	—	—	—	—	—	—	(56,124)	(56,124)
Others	—	—	—	—	29,759	—	—	29,759
At 31 December 2018	<u>4,248,203</u>	<u>(1,996,731)</u>	<u>33,937</u>	<u>(158)</u>	<u>35,151</u>	<u>517,567</u>	<u>1,785,774</u>	<u>4,623,743</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. RESERVES—continued

	Share premium	Merger reserve	Share option reserve	Fair value reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	4,248,203	(1,996,731)	33,937	(158)	35,151	517,567	1,785,774	4,623,743
Profit for the year	—	—	—	—	—	—	146,049	146,049
Other comprehensive income for the year								
Share of other comprehensive income of associates	—	—	—	—	120	—	—	120
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	(20,535)	—	—	—	(20,535)
Total comprehensive (loss)/ income for the year	—	—	—	(20,535)	120	—	146,049	125,634
Deemed disposal of a subsidiary	—	—	—	—	34,479	(4,441)	(39,969)	(9,931)
Share of other reserves of associates	—	—	—	—	9,871	—	—	9,871
Transfer of fair value reserve of equity investments at fair value through other comprehensive income	—	—	—	20,693	—	—	(20,693)	—
Other changes of investment in a subsidiary	—	—	—	—	252,399	—	—	252,399
Transfer from retained profits	—	—	—	—	—	14,662	(14,662)	—
Dividend declared to shareholders	—	—	—	—	—	—	(124,720)	(124,720)
Others	—	—	—	—	56,060	—	—	56,060
At 31 December 2019	<u>4,248,203</u>	<u>(1,996,731)</u>	<u>33,937</u>	<u>—</u>	<u>388,080</u>	<u>527,788</u>	<u>1,731,779</u>	<u>4,933,056</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

31 December 2017

	Percentage of equity interest held by non-controlling interests	Profit/(loss) for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests at the reporting date
	%	RMB'000	RMB'000
Shenzhen Topknow Industrial Development Co., Ltd. . . .	26%	15,456	94,285
Shenzhen Hightide Biopharmaceutical Co., Ltd.	43%	(8,415)	39,142
Shenzhen Penghe Property Management Co., Ltd.	45%	(1,065)	55,844
Shenzhen OncoVent Biomedical Technology Co., Ltd. . . .	46%	(2,062)	23,530

The following tables illustrated the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Shenzhen Topknow Industrial Development Co., Ltd.	Shenzhen Hightide Biopharmaceutical Co., Ltd.	Shenzhen Penghe Property Management Co., Ltd.	Shenzhen OncoVent Biomedical Technology Co., Ltd.
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	475,231	—	—	—
Total expense	(416,753)	(19,778)	(2,367)	(4,482)
Profit/(loss) for the year	58,478	(19,778)	(2,367)	(4,482)
Total comprehensive income/(loss) for the year	49,486	(20,136)	(2,367)	(4,482)
Current assets	823,771	79,704	6,037	33,834
Non-current assets	474,800	29,154	118,636	20,189
Current liabilities	(922,978)	(4,547)	(472)	(3,053)
Non-current liabilities	(18,858)	(11,994)	(103)	—
Net cash flows used in operating activities . . .	(79,333)	(18,675)	(433)	(6,748)
Net cash flows (used in)/generated from investing activities	(10,094)	(5,237)	427	427
Net cash flows generated from/(used in) financing activities	68,838	(15,205)	—	—
Effect of foreign exchange rate changes, net	1,717	(1,520)	—	—
Net decrease in cash and cash equivalents . . .	(18,872)	(40,637)	(6)	(6,321)

31 December 2018

	Percentage of equity interest held by non-controlling interests	Loss for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests at the reporting date
	%	RMB'000	RMB'000
HighTide Therapeutics, Inc	45%	(29,962)	48,412
Shenzhen Penghe Property Management Co., Ltd.	45%	(1,426)	54,417
Shenzhen Arimab Biomedical Co., Ltd.	49%	(1,055)	43,470
Shenzhen OncoVent Biomedical Technology Co., Ltd. . . .	46%	(1,359)	22,376

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS—continued

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Hightide Therapeutics, Inc	Shenzhen Penghe Property Management Co., Ltd.	Shenzhen Arimab Biomedical Co., Ltd.	Shenzhen OncoVent Biomedical Technology Co., Ltd.
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	—	—	—
Total expense	(67,985)	(3,170)	(2,153)	(2,954)
Loss for the year	(67,985)	(3,170)	(2,153)	(2,954)
Total comprehensive loss for the year	<u>(69,738)</u>	<u>(3,170)</u>	<u>(2,153)</u>	<u>(2,954)</u>
Current assets	87,638	5,523	46,197	31,091
Non-current assets	30,310	115,732	37,023	19,480
Current liabilities	(1,154)	(184)	(2,749)	(2,100)
Non-current liabilities	<u>(8,367)</u>	<u>(145)</u>	—	—
Net cash flows (used in)/generated from operating activities	(76,344)	(690)	(1)	77
Net cash flows (used in)/generated from investing activities	(4,021)	632	(35,000)	6,223
Net cash flows generated from financing activities	89,876	—	44,686	22
Effect of foreign exchange rate changes, net	<u>(710)</u>	—	<u>(22)</u>	<u>587</u>
Net increase/(decrease) in cash and cash equivalents	<u>8,801</u>	<u>(58)</u>	<u>9,663</u>	<u>6,909</u>

31 December 2019

	Percentage of equity interest held by non- controlling interests	Loss for the year allocated to non-controlling interests	Accumulated balances of non- controlling interests at the reporting date
	%	RMB'000	RMB'000
Shenzhen Penghe Property Management Co., Ltd.	45%	(1,359)	53,058
Shenzhen Arimab Biomedical Co., Ltd.	49%	(2,297)	41,173
Shenzhen OncoVent Biomedical Technology Co., Ltd.	<u>46%</u>	<u>(1,250)</u>	<u>21,272</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS—continued

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Shenzhen Penghe Property Management Co., Ltd.	Shenzhen Arimab Biomedical Co., Ltd.	Shenzhen OncoVent Biomedical Technology Co., Ltd.
	RMB'000	RMB'000	RMB'000
Revenue	—	—	—
Total expenses	(3,019)	(4,688)	(2,717)
Loss for the year	(3,019)	(4,688)	(2,717)
Total comprehensive loss for the year	<u>(3,019)</u>	<u>(4,688)</u>	<u>(2,717)</u>
Current assets	5,558	59,868	37,962
Non-current assets	112,818	45,677	18,772
Current liabilities	(282)	(21,649)	(10,488)
Non-current liabilities	<u>(186)</u>	<u>—</u>	<u>—</u>
Net cash flows used in operating activities	(42)	(1,638)	(5,546)
Net cash flows from/(used in) investing activities	1,055	(8,670)	11,298
Net cash flows from financing activities	—	8,120	79
Effect of foreign exchange rate changes, net	<u>—</u>	<u>274</u>	<u>199</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,013</u>	<u>(1,914)</u>	<u>6,030</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**40. SHARE AWARD SCHEME**

Share Option Scheme

Shenzhen OncoVent Biomedical Technology Co., Ltd. (“OncoVent”), a subsidiary of the Company, approved a Share Option Scheme. (“the Scheme”) in 2018. Pursuant to the Scheme, OncoVent proposed to grant 4% share options of the diluted shares in the original equity structure to the CEO of OncoVent. Share options are granted when the participant reaches the agreed milestones. 2% share options will be granted when the first milestone is reached. 1% share options will be granted when the second stage is reached. And the remaining 1% of the share options will be granted when the third milestone is reached.

<u>Milestones</u>	<u>Condition</u>
The first milestone	The participant signs a labour contract with OncoVent
The second milestone	OncoVent’s new pharmaceutical varieties obtains permission to carry out Phase III clinical trials from Chinese pharmaceutical regulatory authorities
The Third milestone	New pharmaceutical varieties obtain permission to be sellable in the market from Chinese pharmaceutical regulatory authorities

The grant date is within one month when each milestone is reached. The share options shall be valid for a period of four years from the grant date. The first exercise period shall commence from the first day after expiry of the one-year period from the grant date. The vesting percentages of the share options for the following three years are 40%, 30% and 30%, respectively. When OncoVent is listed or sold, the participant may realise the benefit of share options based on the stock circulation rules at the listing place or the value of OncoVent at the time of sale. The participant may choose to convert the virtual option into actual investment to OncoVent. When and only when OncoVent is listed or sold, the participant can choose to exercise share options. The exercise price is based on the investment price and the latest financing authorised by the Board of OncoVent.

As of 31 December 2017, 2018 and 2019, the progress of the Scheme is as follows:

<u>Milestone</u>	<u>Granted percentage</u>	<u>Conditions are Met</u>	<u>Date of meet</u>	<u>Fair Value of Granted Share Options</u> <u>RMB’000</u>
The first milestone	2%	Yes	8 August 2017	1,271
The second milestone	1%	No	—	—
The third milestone	1%	No	—	—

41. BUSINESS COMBINATION

On 31 May 2018, the Group acquired 100% equity interest in Shenzhen Topknow Industrial Development Co., Ltd. from the shareholders of Shenzhen Topknow Industrial Development Co., Ltd. Since both the Company and Shenzhen Topknow Industrial Development Co., Ltd. are ultimately controlled by Mr. Li Li and Ms. Li Tan, the acquisition was a business combination under common control. Shenzhen Topknow Industrial Development Co., Ltd. is engaged in biopharmaceutical R&D. The purchase consideration for the acquisition is RMB2,400,000,000 in cash.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. BUSINESS COMBINATION—continued

The following is the consolidated statement of financial position of Shenzhen Topknow Industrial Development Co., Ltd. as at 31 May 2018:

	RMB'000
Property and equipment	265,563
Other intangible assets	76,429
Deferred tax assets	16,793
Other non-current assets	101,646
Cash and bank balances	65,322
Trade receivables	231,817
Prepayments, other receivables and other assets	218,801
Inventories	616,610
Interest-bearing bank borrowings	(330,950)
Trade and bills payables	(628,854)
Tax payable	(14,005)
Contract liabilities	(7,296)
Other payables and accruals	(195,177)
Deferred income	(12,212)
Deferred tax liabilities	(1,218)
	<u>403,269</u>
Merger reserve	<u>1,996,731</u>
Fair value of consideration which will be satisfied by Cash	<u>2,400,000</u>

During the Relevant Periods, the purchase consideration for the acquisition has been fully paid. As at 31 December 2018 and 2019, the Group had paid RMB1,224,000,000 and RMB1,176,000,000 respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. DISPOSAL OF SUBSIDIARIES

(1) Disposal of Chengdu Hepatunn Pharmaceutical Co., Ltd.

In June 2018, the Group disposed of the 85% interests in Chengdu Hepatunn Pharmaceutical Co., Ltd. which was acquired by Pangu Chenchen (Shanghai) Enterprise Management Center (L.P.) (盤穀晨宸(上海)企業管理中心(有限合夥)) for a consideration of RMB34,000,000 in cash. The disposal of Chengdu Hepatunn Pharmaceutical Co., Ltd. was completed on 30 June 2018.

	<u>As at</u> <u>30 June 2018</u> <u>RMB'000</u>
Net assets disposed of:	
Property and equipment	12,047
Other intangible assets	5,172
Other non-current assets	2,000
Cash and bank balances	6,828
Pledged deposits	5,560
Trade and bills receivables	12,834
Inventories	58,320
Prepayments, other receivables and other assets	3,350
Trade and bills payables	(68,540)
Contract liabilities	(4,875)
Accruals and other payables	(25,525)
Deferred income	(445)
Tax payable	(569)
	<u>6,157</u>
Proportion of the Group's ownership interest	85%
Share of net assets of the subsidiary	5,234
Gain on disposal of the subsidiary	<u>28,766</u>
Satisfied by:	
Cash	<u>34,000</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

Cash consideration	34,000
Cash and bank balances disposed of	<u>(6,828)</u>
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	<u>27,172</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**42. DISPOSAL OF SUBSIDIARIES—continued**

(2) Deemed disposal of HighTide

On 25 March 2019, the Company's share percentage on HighTide which was a former subsidiary of the Company was diluted from 53.81% to 48.74% as a result of the addition of new shareholders, as the result, the Group had lost control over HighTide. The fair value of the remaining 48.74% equity interest of HighTide held by the Group after the deemed disposal was RMB626,706,000 and a remeasurement gain of fair value of RMB573,865,000 was recorded.

	<u>As date of disposal</u> RMB'000
Net assets disposed of:	
Property and equipment	4,345
Other intangible assets	25,686
Cash and bank balances	75,898
Inventories	112
Prepayments, other receivables and other assets	1,914
Trade and bills payables	(54)
Accruals and other payables	(1,023)
Deferred income	(8,277)
Net assets	98,601
Non-controlling interests	(402)
Net assets attributable to the parent	98,199
Proportion of the Group's ownership interest	53.81%
Share of net assets of the subsidiary	52,841
Gain on deemed disposal of the subsidiary and gain on fair value remeasurement of existing equity in the subsidiary	573,865
Investments in an associate	626,706
Satisfied by:	
Cash	<u>—</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

Cash consideration	—
Cash and cash equivalents in the subsidiary deemed disposed of	(75,898)
Net outflow of cash and cash equivalents in respect of the deemed disposal of the subsidiary	<u>(75,898)</u>

43. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, SPL Distribution Holdings LLC, a subsidiary of the Group, provides active pharmaceutical ingredients to its customer, Curemark in exchange for equity interests of the customer. During the years ended 31 December 2018 and 2019, the transaction amounts were RMB256,564,000 (equivalent to USD38,720,000) and RMB85,907,000 (equivalent to USD12,465,000), respectively. Further details are set out in note 20(d).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

(a) Major non-cash transactions—continued

During the Relevant Periods, the Group entered into lease arrangements with a total capital value at the inception of the leases of RMB64,353,000, RMB5,266,000 and RMB14,001,000, respectively.

During the year ended 31 December 2019, the Company recognised other receivables from the Controlling Shareholders, Mr. Shan Yu and Urumqi Shuidi Shichuan Equity Investment Partnership (Limited Partnership) of RMB252,399,000 with the corresponding entry recognised in other reserves. Further details are set out in note 46(d).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Interest payables	Lease liabilities
	RMB'000	RMB'000	RMB'000
At 1 January 2017	4,186,394	17,842	128,501
New bank loans and other borrowings	3,400,903	—	—
Additions to lease liabilities	—	—	64,353
Accretion of interest expenses	—	178,612	9,246
Repayment of interest expenses	—	(180,920)	—
Repayment of loans and other borrowings	(2,365,726)	—	—
Principal elements of lease payments	—	—	(39,172)
Foreign exchange movement	(137,506)	343	(6,898)
At 31 December 2017	<u>5,084,065</u>	<u>15,877</u>	<u>156,030</u>
At 1 January 2018	5,084,065	15,877	156,030
New bank loans and other borrowings	3,916,955	—	—
Additions to lease liabilities	—	—	5,266
Accretion of interest expenses	—	224,298	7,193
Repayment of interest expenses	—	(224,628)	—
Repayment of loans and borrowings	(4,205,169)	—	—
Principal elements of lease payments	—	—	(36,370)
Foreign exchange movement	117,073	4,279	5,408
At 31 December 2018	<u>4,912,924</u>	<u>19,826</u>	<u>137,527</u>
	Interest-bearing bank and other borrowings	Interest payables	Lease liabilities
	RMB'000	RMB'000	RMB'000
At 1 January 2019	4,912,924	19,826	137,527
New bank loans and other borrowings	5,973,986	—	—
Additions to lease liabilities	—	—	14,001
Accretion of interest expenses	34,991	234,523	5,684
Repayment of interest expenses	—	(247,072)	—
Repayment of loans and other borrowings	(4,669,869)	—	—
Principal elements of lease payments	—	—	(39,418)
Foreign exchange movement	41,961	(7,277)	1,439
At 31 December 2019	<u>6,293,993</u>	<u>—</u>	<u>119,233</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**44. COMMITMENTS**

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

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment	369,671	397,317	314,333
Capital contributions payable to investments	406,967	384,276	190,616
	<u>776,638</u>	<u>781,593</u>	<u>504,949</u>

45. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 32 to the Historical Financial Information.

The summary of the pledged assets is as follows:

- (a) As at 31 December 2019, 100% of the shares of Shenzhen Topknow Industrial Development Co., Ltd were pledged to secure certain bank loans.
- (b) As at 31 December 2017, 2018 and 2019, bills receivable amounting to RMB80,000,000, RMB95,000,000 and RMB500,000,000, respectively were pledged to secure certain bank loans. As at 31 December 2017, 2018 and 2019, letters of credit amounting to nil, RMB182,710,000, and RMB230,700,000, respectively were pledged to secure certain bank loans.
- (c) As at 31 December 2017, 2018 and 2019, the assets (including property, plant and equipment, equity investments designated at fair value through other comprehensive income, inventory, trade and bills receivables, and cash and cash equivalents) of SPL and the real estate of the Company located in Pingshan District, Shenzhen, totally amounting to RMB1,111,883,000, RMB1,485,333,000 and RMB2,167,111,000, respectively, were mortgaged to obtain loans from certain banks.
- (d) As at 31 December 2017, 2018 and 2019, the bank deposits secured for performance guarantees margin and bank acceptances margin were RMB6,141,000, RMB3,837,000 and RMB61,568,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

46. RELATED PARTY TRANSACTIONS

(a) Name and relationship

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Mr. Li Li and Ms. Li Tan 深圳市樂仁科技有限公司 Shenzhen Leren Technology Co., Ltd. 烏魯木齊金田土股權投資合夥企業（有限合夥） Urumqi Jintiantu Equity Investment Partnership (Limited Partnership) 烏魯木齊飛來石股權投資有限公司 Urumqi Feilaishi Equity Investment Co., Ltd.	Controlling Shareholders Controlling Shareholders Controlling Shareholders Controlling Shareholders Shareholder and key management and a close family member of the Controlling Shareholders
Mr. Shan Yu 烏魯木齊水滴石穿股權投資合夥企業（有限合夥） Urumqi Shuidi Shichuan Equity Investment Partnership (Limited Partnership) (“Shuidi Shichuan”) Aridis Pharmaceuticals Inc OncoQuest Inc. Resverlogix Corp. 深圳市亞太健康管理有限公司 Shenzhen Asia Pacific Health Management Co., Ltd.	Shareholder of the company Minority shareholder of a subsidiary Associate Associate Associate

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material related party transactions during the Relevant Periods:

(b) Significant related party transactions

	<u>Year ended 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue from sales of products			
OncoQuest Inc.	10,100	3,569	24,163
Acquisition of a subsidiary (Note (i))			
Controlling shareholders	—	1,765,660	—
Mr. Shan Yu	—	55,460	—
Shuidi Shichuan	—	33,600	—
	<u>—</u>	<u>1,854,720</u>	<u>—</u>

- (i) During the Relevant Periods, the Company acquired 100% shares of Shenzhen Topknow Industrial Development Co., Ltd. from the shareholders. Further details are included in note 41 to the Historical Financial Information.

(c) Other related party transactions

During the Relevant Periods, the Group's banking facilities were guaranteed by its related parties with details set out in note 32 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

46. RELATED PARTY TRANSACTIONS—continued

(d) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 31 December 2017, 2018 and 2019.

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
<i>Due from related parties</i>			
Trade receivables (trade in nature) (Note (i))			
OncoQuest Inc.	8,427	503	18,584
Other receivables (non-trade in nature)			
Controlling Shareholders (Note (iii))	—	—	240,279
Mr. Shan Yu (Note (iii))	—	—	7,548
Shuidi Shichuan (Note (iii))	—	—	4,572
Resverlogix Corp.	41,858	43,965	44,689
Total receivables from related parties	<u>50,285</u>	<u>44,468</u>	<u>315,672</u>
<i>Due to related parties</i>			
Controlling Shareholders (non-trade in nature) (Note (ii))	—	1,119,530	—
Mr. Shan Yu (non-trade in nature) (Note (ii))	—	35,168	—
Shuidi Shichuan (non-trade in nature) (Note (ii))	—	21,302	—
Aridis Pharmaceuticals Inc. (non-trade in nature)	—	2,472	1,062
Deposit received (trade in nature)			
OncoQuest Inc.	<u>2,122</u>	<u>2,229</u>	<u>3,089</u>
Total payables to related parties	<u>2,122</u>	<u>1,180,701</u>	<u>4,151</u>

- (i) Trade receivables due from related parties are unsecured, interest-free and repayable on demand.
- (ii) In 2018, the Company acquired 100% shares of Shenzhen Topknow Industrial Development Co. Ltd (“Topknow”) with cash consideration of RMB2,400,000,000 from Controlling Shareholders, Mr. Shan Yu, Shuidi Shichuan and other shareholders (Collectively “The Acquisition of Topknow”). As at 31 December 2018, the payables due to the Controlling Shareholders, Mr. Shan Yu and Shuidi Shichuan were RMB1,119,530,000, RMB35,168,000 and RMB21,302,000. The Company paid the payables in June 2019. Further details about the acquisition of Topknow are included in note 41 to the Historical Financial Information.
- (iii) Pursuant to the agreement of the Acquisition of Topknow, our Controlling Shareholders, along with Mr. Shan and Shuidi Shichuan, guaranteed that if Topknow’s net profit falls below RMB190,600,000, RMB286,800,000 and RMB340,800,000, respectively, for the years ending 31 December 2018, 2019 and 2020, each of them shall be jointly and severally liable to compensate the Company up to the amount of consideration they received from the Acquisition of Topknow. Topknow met the guaranteed profits for the year ended 31 December 2018. For the year ended 31 December 2019, Topknow did not meet the guaranteed profit and the Company recognised other receivables of RMB252,399,000 as deemed contribution from the Controlling Shareholders, Mr. Shan

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

46. RELATED PARTY TRANSACTIONS—continued

(d) Outstanding balances with related parties—continued

and Shuidi Shichuan with the corresponding entry recognised in other reserves in the consolidated statements of changes in equity.

- (iv) The directors of the Group intend to settle the non-trade balances with related parties prior to listing.

(e) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Fees	300	300	300
Salaries, allowances and benefits in kind	7,675	10,846	8,337
Performance related bonuses	—	2,390	—
Pension scheme contributions	250	273	278
	<u>8,225</u>	<u>13,809</u>	<u>8,915</u>

Further details of directors' and supervisors' emoluments are included in note 9 to the Historical Financial Information.

47. FINANCIAL INSTRUMENTS BY CATEGORY

Group

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

Financial assets	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	1,255,048	1,197,660	1,316,047
Derivative financial instruments	43,150	77,174	24,768
	<u>1,298,198</u>	<u>1,274,834</u>	<u>1,340,815</u>
Financial assets at fair value through other comprehensive income:			
Equity investments designated at fair value through other comprehensive income	550,363	608,785	627,397
At amortised cost:			
Financial assets included in non-current assets	2,529	7,761	74,183
Trade and bills receivables	703,202	1,084,489	1,282,125
Due from related parties	50,285	44,468	315,672
Financial assets included in prepayments, other receivables and other assets	250,978	116,542	61,324
Pledged deposits	6,141	3,837	61,568
Time deposits	2,860,549	591,809	127,510
Cash and cash equivalents	730,470	1,526,100	1,076,537
	<u>4,604,154</u>	<u>3,375,006</u>	<u>2,998,919</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

47. FINANCIAL INSTRUMENTS BY CATEGORY—continued

Financial liabilities	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At amortised cost:			
Trade and bills payables	162,474	205,273	228,661
Due to related parties	2,122	1,180,701	4,151
Financial liabilities included in other payables and accruals	119,545	210,642	194,476
Interest-bearing bank and other borrowings	5,084,065	4,912,924	6,293,993
Lease liabilities	156,030	137,527	119,233
	<u>5,524,236</u>	<u>6,647,067</u>	<u>6,840,514</u>

Company

The carrying amounts of each of the categories of financial instruments of the Company as at the end of each of the Relevant Periods are as follows:

Financial assets	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	499,155	507,852	503,321
Derivative financial instruments	43,150	77,174	24,768
	<u>542,305</u>	<u>585,026</u>	<u>528,089</u>
Financial assets at fair value through other comprehensive income:			
Equity investments designated at fair value through other comprehensive income	281,583	69,423	31,863
Due from related parties*	122,501	95,000	500,000
	<u>404,084</u>	<u>164,423</u>	<u>531,863</u>
At amortised cost:			
Financial assets included in non-current assets	—	—	74,183
Trade and bills receivables	174,840	129,741	92,076
Due from related parties	1,085,254	2,186,000	2,198,094
Financial assets included in prepayments, other receivables and other assets	239,455	100,447	22,333
Time deposits	2,860,549	590,809	127,510
Cash and cash equivalents	367,389	1,033,773	661,877
	<u>4,727,487</u>	<u>4,040,770</u>	<u>3,176,073</u>

* Upon adoption of IFRS 9, the Company has classified the bills receivable from related parties that are held within a business model both to collect cash flows and to sell upon transition to financial assets at fair value through other comprehensive income under IFRS 9.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**47. FINANCIAL INSTRUMENTS BY CATEGORY—continued****Financial liabilities**

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At amortised cost:			
Trade and bills payables	6,516	13,672	13,583
Due to related parties	120,285	1,509,833	127,782
Financial liabilities included in other payables and accruals	40,435	140,487	90,693
Interest-bearing bank and other borrowings	2,353,835	2,572,288	4,166,339
Lease liabilities	21,547	21,704	36,014
	<u>2,542,618</u>	<u>4,257,984</u>	<u>4,434,411</u>

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2017, 2018 and 2019, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has determined that the carrying amounts of cash and cash equivalents, the current portion of time deposits and pledged deposits, trade and bills receivables, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade and bills payables, amounts due to related parties, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank borrowings and lease liabilities reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group's finance department headed by the Financial Controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

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 following methods and assumptions were used to estimate the fair values:

The fair values of long-term interest receivables and debt investment have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2017, 2018 and 2019 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as EV/EBITDA multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with various counterparties, principally investment in association Derivative financial instruments, including warrants, forward currency contracts and foreign currency swaps, are measured using valuation techniques similar to Black-Scholes Model and forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps are the same as their fair values.

As at 31 December 2017, 2018 and 2019, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income	353,459	196,904	—	550,363
Financial assets at fair value through profit or loss	—	1,108,844	146,204	1,255,048
Derivative financial instruments	—	43,150	—	43,150
	<u>353,459</u>	<u>1,348,898</u>	<u>146,204</u>	<u>1,848,561</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Fair value hierarchy—continued

*Assets measured at fair value:—continued**As at 31 December 2018*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Equity investments at fair value through other comprehensive income	104,422	504,363	—	608,785
Financial assets at fair value through profit or loss	—	1,197,660	—	1,197,660
Derivative financial instruments	—	77,174	—	77,174
	<u>104,422</u>	<u>1,779,197</u>	<u>—</u>	<u>1,883,619</u>

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Equity investments designated at fair value through other comprehensive income	27,271	600,126	—	627,397
Financial assets at fair value through profit or loss	—	1,316,047	—	1,316,047
Derivative financial instruments	—	24,768	—	24,768
	<u>27,271</u>	<u>1,940,941</u>	<u>—</u>	<u>1,968,212</u>

The movements in fair value measurements with Level 3 during the year are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss			
At 1 January	134,411	146,204	—
Total gains/(losses) recognised in the consolidated statement of profit or loss included in other income	11,793	(26,204)	—
Disposals	—	(120,000)	—
At 31 December	<u>146,204</u>	<u>—</u>	<u>—</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Fair value hierarchy—continuedAssets for which fair values are disclosed:*As at 31 December 2017*

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term interest receivables	—	—	2,529	2,529

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term interest receivables	—	—	7,761	7,761

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Debt investment	—	74,183	—	74,183

Liabilities for which fair values are disclosed:*As at 31 December 2017*

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	1,824,333	—	1,824,333

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	2,449,442	—	2,449,442

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Fair value hierarchy—continued

Liabilities for which fair values are disclosed:—continued

As at 31 December 2019

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Interest-bearing bank and other borrowings	—	2,354,653	—	2,354,653

The unlisted equity investments have been valued based on a market-based fair value technique 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. The fair values of unlisted equity investments designated at fair value have been estimated using precedent transaction method, binomial tree model and the guideline public company method which requires the directors to determine comparable public companies (peers) and comparable transactions. Those valuation techniques required significant observable inputs, including market multiplier, risk-free interest rate, volatility and liquidity discount which are available from public market. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2017:

31 December 2017

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Long term growth rate	3%	1% increase/(decrease) in growth rate would result in increase/(decrease) in fair value by RMB447,000
		Long term operating margin	45%	1% increase/(decrease) in operating margin would result in increase/(decrease) in fair value by RMB732,000
		Weighted average cost of capital (WACC)	17%-18%	1% increase/(decrease) in growth rate would result in (decrease)/increase in fair value by RMB1,016,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, time deposits, pledged deposits, trade and bills receivables, other receivables, trade and bills payables and other payables and lease liabilities, which arise directly from its operations. The Group has other financial assets and liabilities such as financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, derivative financial instruments, interest-bearing bank and other borrowings, due to related parties and due from related parties. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the interest-bearing bank borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2017, 2018 and 2019, approximately 70%, 56% and 75% of the Group's interest-bearing borrowings bore interest at fixed rates, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
Year ended 31 December 2017	25	(5,425,624)	—
	(25)	5,425,624	—
Year ended 31 December 2018	25	(4,961,426)	—
	(25)	4,961,426	—
Year ended 31 December 2019	25	(3,888,196)	—
	(25)	3,888,196	—

* Excluding retained profits

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

In addition, the Group has currency exposures from its interest-bearing bank borrowings.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Foreign currency risk—continued

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the foreign exchange rate due to changes in fair value of monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
RMB/USD			
Strengthened 5%	(12,297)	(5,741)	(43,133)
Weakened 5%	12,297	5,741	43,133
RMB/EUR			
Strengthened 5%	6,693	(846)	9,233
Weakened 5%	(6,693)	846	(9,233)

Credit risk

An impairment analysis was performed at 31 December 2017, 2018 and 2019 using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. 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.

Maximum exposure and year-end staging as at 31 December 2017, 2018 and 2019

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 past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2017, 2018 and 2019. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2017

	12-month	Lifetime ECLs			Total
	ECLs	Simplified approach			
	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	703,202	703,202
Financial assets included in prepayments, deposits and other receivables					
—Normal**	255,071	—	—	—	255,071
—Doubtful**	—	—	4,017	—	4,017
Amounts due from related parties	41,858	—	—	8,427	50,285
Pledged deposits	6,141	—	—	—	6,141
Time deposits	2,860,549	—	—	—	2,860,549
Cash and cash equivalents	730,470	—	—	—	730,470
	<u>3,894,089</u>	<u>—</u>	<u>4,017</u>	<u>711,629</u>	<u>4,609,735</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Credit risk—continued

At 31 December 2018

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables*	—	—	—	1,084,489	1,084,489
Financial assets included in prepayments, deposits and other receivables					
—Normal**	122,502	—	—	—	122,502
—Doubtful**	—	—	4,125	—	4,125
Amounts due from related parties	43,965	—	—	503	44,468
Pledged deposits	3,837	—	—	—	3,837
Time deposits	591,809	—	—	—	591,809
Cash and cash equivalents	1,526,100	—	—	—	1,526,100
	<u>2,288,213</u>	<u>—</u>	<u>4,125</u>	<u>1,084,992</u>	<u>3,377,330</u>

At 31 December 2019

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables*	—	—	—	1,282,125	1,282,125
Financial assets included in prepayments, deposits and other receivables					
—Normal**	69,385	—	—	—	69,385
—Doubtful**	—	—	5,127	—	5,127
Amounts due from related parties	297,088	—	—	18,584	315,672
Pledged deposits	61,568	—	—	—	61,568
Time deposits	127,510	—	—	—	127,510
Cash and cash equivalents	1,076,537	—	—	—	1,076,537
	<u>1,632,088</u>	<u>—</u>	<u>5,127</u>	<u>1,300,709</u>	<u>2,937,924</u>

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 25 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Credit risk—continued

The Group has established a policy to perform an assessment, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management makes periodic collective assessments for financial assets included in prepayments, other receivables and other assets as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group recognised allowance for financial assets included in prepayments, deposits and other receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2017				
	On demand	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	162,474	—	—	162,474
Financial liabilities included in other payables and accruals	119,545	—	—	—	119,545
Interest-bearing bank borrowings	—	3,388,522	916,448	1,029,242	5,334,212
Due to related parties	2,122	—	—	—	2,122
Lease liabilities	—	37,980	67,524	84,907	190,411
	<u>121,667</u>	<u>3,588,976</u>	<u>983,972</u>	<u>1,114,149</u>	<u>5,808,764</u>
	As at 31 December 2018				
	On demand	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	205,273	—	—	205,273
Financial liabilities included in other payables and accruals	210,642	—	—	—	210,642
Interest-bearing bank borrowings	—	2,602,552	1,923,066	741,410	5,267,028
Due to related parties	1,180,701	—	—	—	1,180,701
Lease liabilities	—	38,467	60,739	64,563	163,769
	<u>1,391,343</u>	<u>2,846,292</u>	<u>1,983,805</u>	<u>805,973</u>	<u>7,027,413</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued***Liquidity risk—continued*

	As at 31 December 2019				Total RMB'000
	On demand RMB'000	Less than 1 year RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Trade and bills payables	—	228,661	—	—	228,661
Financial liabilities included in other payables and accruals	194,476	—	—	—	194,476
Interest-bearing bank borrowings	—	4,139,113	575,888	2,388,192	7,103,193
Due to related parties	4,151	—	—	—	4,151
Lease liabilities	—	36,649	48,345	50,339	135,333
	<u>198,627</u>	<u>4,404,423</u>	<u>624,233</u>	<u>2,438,531</u>	<u>7,665,814</u>

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 and the risk characteristics of the underlying assets. 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 Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Total assets	<u>14,208,856</u>	<u>13,844,278</u>	<u>15,351,947</u>
Total liabilities	<u>6,155,087</u>	<u>7,567,945</u>	<u>7,880,073</u>
Asset-liability ratio	<u>43%</u>	<u>55%</u>	<u>51%</u>

50. SUBSEQUENT EVENTS

A novel strain of coronavirus was detected and emerged in China since early 2020. The Group has been closely monitoring the impact of the contagious coronavirus disease ("COVID-19"). Meanwhile, no Group's employee is diagnosed with the COVID-19, and the COVID-19 pandemic did not currently have any significant impact on the Group's operations. The Group will keep the contingency measures under supervising as the COVID-19 pandemic situation evolves.

51. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019.