

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2020**

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the board of directors of Shenzhen Hepalink Pharmaceutical Group Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information set out on pages IA-2 to IA-37, which comprises the condensed consolidated statement of financial position of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the “Company”) and its subsidiaries as at 31 March 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certificate Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
24 June 2020

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	Notes	Three months ended 31 March	
		2020	2019
		RMB'000 (unaudited)	RMB'000 (unaudited)
REVENUE	4	1,376,780	1,021,559
Cost of sales		(793,117)	(675,680)
Gross profit		583,663	345,879
Other income and gains	5	1,424	556,725
Selling and distribution expenses		(101,239)	(76,709)
Administrative expenses		(132,621)	(128,307)
Impairment losses on financial assets		(6,689)	(8,849)
Other expenses		(661)	(210)
Finance costs		(78,088)	(57,327)
Share of profits and losses of associates		44,444	(60,855)
PROFIT BEFORE TAX	6	310,233	570,347
Income tax expense	7	(53,264)	(103,250)
PROFIT FOR THE PERIOD		<u>256,969</u>	<u>467,097</u>
Attributable to:			
Owners of the parent		257,603	478,271
Non-controlling interests		<u>(634)</u>	<u>(11,174)</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
—for profit for the period		<u>RMB0.21</u>	<u>RMB0.38</u>
Diluted			
—for profit for the period		<u>RMB0.21</u>	<u>RMB0.38</u>

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	Three months ended 31 March	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
PROFIT FOR THE PERIOD	256,969	467,097
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	40,251	(25,538)
Share of other comprehensive loss of associates	—	(1,387)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	40,251	(26,925)
Other comprehensive income /(loss) that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Net gains on equity investments designated at fair value through other comprehensive income	5,248	7,908
Remeasurement gains/ (losses) on defined benefit pension schemes	4,913	(9,869)
Net other comprehensive income/ (loss) that will not be reclassified to profit or loss in subsequent periods	10,161	(1,961)
Other comprehensive income/(loss) for the period, net of tax	50,412	(28,886)
Total comprehensive income for the period, net of tax	307,381	438,211
Attributable to:		
Owners of the parent	308,072	449,877
Non-controlling interests	(691)	(11,666)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
31 MARCH 2020**

	Notes	31 March	31 December
		2020	2019
		RMB'000 (unaudited)	RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,703,654	2,688,232
Right-of-use assets		231,107	237,298
Goodwill	11	2,391,668	2,354,908
Other intangible assets		554,718	559,378
Investments in associates	12	1,494,779	1,349,772
Equity investments designated at fair value through other comprehensive income	13	668,760	627,397
Financial assets at fair value through profit or loss	14	1,245,547	1,228,171
Deferred tax assets		120,096	117,749
Other non-current assets	16	367,372	189,072
Total non-current assets		9,777,701	9,351,977
CURRENT ASSETS			
Inventories	17	2,658,176	2,363,168
Trade and bills receivables	18	1,447,503	1,282,125
Contract assets	19	32,127	31,186
Prepayments, other receivables and other assets	20	713,826	629,560
Due from related parties	28	316,603	315,672
Financial assets at fair value through profit or loss	14	11,133	87,876
Derivative financial instruments	15	15,735	24,768
Pledged deposits		51,592	61,568
Time deposits		127,510	127,510
Cash and cash equivalents		899,882	1,076,537
Total current assets		6,274,087	5,999,970
CURRENT LIABILITIES			
Trade payables	21	282,648	228,661
Other payables and accruals	22	470,990	528,737
Contract liabilities	23	210,710	200,268
Interest-bearing bank and other borrowings	24	3,616,197	3,939,340
Tax payable		103,780	63,424
Due to related parties	28	3,603	4,151
Lease liabilities		32,920	31,980
Total current liabilities		4,720,848	4,996,561
NET CURRENT ASSETS		1,553,239	1,003,409
TOTAL ASSETS LESS CURRENT LIABILITIES		11,330,940	10,355,386
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	2,943,520	2,354,653
Deferred income		20,298	20,816
Deferred tax liabilities		312,765	302,004
Long-term employee benefits		103,406	109,003
Other non-current liabilities		9,943	9,783
Lease liabilities		81,929	87,253
Total non-current liabilities		3,471,861	2,883,512
Net assets		7,859,079	7,471,874
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	1,247,202	1,247,202
Reserves		6,489,018	6,101,158
Total equity attributable to owners of the parent		7,736,220	7,348,360
Non-controlling interests		122,859	123,514
Total equity		7,859,079	7,471,874

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	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
	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 31 December 2019 and 1 January 2020	1,247,202	4,218,797	(2,048,058)	161,295	33,937	(79,831)	(36,736)	429,760	532,229	2,889,765	7,348,360	123,514	7,471,874
(audited)	—	—	—	—	—	—	—	—	—	257,603	257,603	(634)	256,969
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	—	—
Other comprehensive income for the period:	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	5,248	—	—	—	—	5,248	—	5,248
Exchange differences on translation of foreign operations	—	—	—	40,308	—	—	—	—	—	—	40,308	(57)	40,251
Remeasurement gains on defined benefit pension schemes	—	—	—	—	—	—	4,913	—	—	—	4,913	—	4,913
Total comprehensive income/(loss) for the period	—	—	—	40,308	—	5,248	4,913	—	—	257,603	308,072	(691)	307,381
Share of other reserves of associates	—	—	—	—	—	—	—	3,109	—	—	3,109	—	3,109
Equity-settled share option arrangements	—	—	—	—	—	—	—	42	—	—	42	36	78
Others	—	—	—	—	—	—	—	76,637	—	—	76,637	—	76,637
At 31 March 2020	1,247,202	4,218,797	(2,048,058)	201,603	33,937	(74,583)	(31,823)	509,548	532,229	3,147,368	7,736,220	122,859	7,859,079
(unaudited)	—	—	—	—	—	—	—	—	—	—	—	—	—

**REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	Attributable to owners of the parent												
	Fair value reserve of financial assets at fair value through other comprehensive income*												
	Share capital	Share premium*	Merger reserve*	Exchange fluctuation reserve*	Share option reserve*	Share other comprehensive income*	Defined benefit contribution reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
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 31 December 2018 and 1 January 2019 (audited)	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 period	—	—	—	—	—	—	—	—	—	478,271	478,271	(11,174)	467,097
Other comprehensive income for the period:													
Share of other comprehensive loss of associates	—	—	—	—	—	—	—	(1,387)	—	—	(1,387)	—	(1,387)
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	7,908	—	—	—	—	7,908	—	7,908
Exchange differences on translation of foreign operations	—	—	—	(25,046)	—	—	—	—	—	—	(25,046)	(492)	(25,538)
Remeasurement losses on defined benefit pension schemes	—	—	—	—	—	—	(9,869)	—	—	—	(9,869)	—	(9,869)
Total comprehensive (loss)/income for the period	—	—	—	(25,046)	—	7,908	(9,869)	(1,387)	—	478,271	449,877	(11,666)	438,211
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	6,469	—	—	6,469	7,248	13,717
Share of other reserves of associates	—	—	—	—	—	—	—	1,550	—	—	1,550	(45,349)	1,550
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	(45,349)
Transfer of fair value reserve of equity investments at fair value through other comprehensive income	—	—	—	—	—	(2,423)	—	—	—	2,423	—	—	—
Others	—	—	—	—	—	(43,441)	—	3,717	—	—	3,717	—	3,717
At 31 March 2019 (unaudited)	1,247,202	4,218,797	(2,048,058)	78,501	33,937	(43,441)	(24,240)	110,126	517,567	2,470,834	6,561,225	126,954	6,688,179

* These reserve accounts comprise the consolidated reserves of RMB5,314,023,000 and RMB6,489,018,000 in the condensed consolidated statements of financial position as of 31 March 2019 and 2020, respectively

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	Notes	Three months ended 31 March	
		2020	2019
		RMB'000 (unaudited)	RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		310,233	570,347
Adjustments for:			
Bank interest income	5	(4,297)	(7,471)
Finance costs		78,088	57,327
Share of profits and losses of associates		(44,444)	60,855
Dividend income from financial assets designated at fair value through other comprehensive income	5	(16,773)	—
Gains on disposal of financial assets at fair value through profit or loss ...	5	(205)	(864)
Fair value losses on derivative instruments	5	9,033	522
Fair value gains/(losses) on financial assets at fair value through profit or loss	5	42,092	(25,623)
Gain on deemed disposal of a subsidiary	5	—	(573,865)
Gains on disposal of items of property, plant and equipment	5	(5)	(67)
Depreciation of property, plant and equipment	6	50,769	43,898
Depreciation of right-of-use assets	6	8,692	8,645
Amortization of other intangible assets	6	14,045	12,879
Impairment losses on financial assets	6	6,689	8,849
Non-cash transaction in relation to investment		(88,209)	—
Foreign exchange (gains)/losses, net	5	(12,228)	55,762
		<u>353,480</u>	<u>211,194</u>
Increase in inventories		(295,008)	(53,049)
Increase in trade and bills receivables		(148,488)	(74,610)
Increase in contract assets		(941)	(152)
Increase in prepayments, deposits and other receivables		(103,193)	(154,469)
(Increase)/decrease in amounts due from related parties		(931)	246
Increase/(decrease) in trade and bills payables		53,987	(35,700)
(Decrease)/increase in other payables and accruals		(49,288)	31,106
Decrease in amounts due to related parties		(548)	(1,558)
Increase/(decrease) in contract liabilities		10,442	(20,946)
Decrease in deferred income		(518)	(8,884)
(Decrease)/increase in net defined benefit retirement obligation		(5,597)	7,512
Decrease/(increase) in pledged deposits		9,976	(7,009)
Cash used in operations		(176,627)	(106,319)
Bank interest income		3,158	3,586
Income tax paid		(35,255)	(36,117)
Net cash flows used in operating activities		<u>(208,724)</u>	<u>(138,850)</u>

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—continued
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	Three months ended 31 March	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income from equity investments designated at fair value through other comprehensive income	16,773	—
Investment income received from financial assets at fair value through profit or loss	570	12,664
Proceeds from disposal of financial assets at fair value through profit or loss	76,400	452,200
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	—	13,839
Purchases of derivative instruments	—	(23,157)
Purchases of property, plant and equipment	(65,122)	(101,941)
Purchases of other intangible assets	(2,050)	(181)
Investments in associates	—	(77,901)
Purchase of financial assets at fair value through profit or loss	(49,532)	(299,237)
Purchases of equity investments designated at fair value through other comprehensive income	(21,255)	—
Proceeds from disposal of subsidiaries	—	(75,898)
Net cash flows used in investing activities	<u>(44,216)</u>	<u>(99,612)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other borrowings	1,294,965	682,147
Repayment of bank loans and other borrowings	(1,065,739)	(1,238,481)
Interest on bank loans and other borrowings paid	(55,358)	(51,117)
Contribution from the non-controlling shareholders	—	13,582
Principal and interest elements of lease payments	(9,335)	(10,059)
Counter guarantee deposit related to corporate bond- secured	(87,000)	—
Net cash flows from/ (used in) financing activities	<u>77,533</u>	<u>(603,928)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(175,407)</u>	<u>(842,390)</u>
Cash and cash equivalents at beginning of period	1,076,537	1,526,100
Effect of foreign exchange rate changes, net	(1,248)	(6,052)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>899,882</u>	<u>677,658</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	899,882	677,658
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	<u>899,882</u>	<u>677,658</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED 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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the three months ended 31 March 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the historical financial information and should be read in conjunction with the Group's historical financial information for the three years ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim condensed consolidated 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. The interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation used in the condensed consolidation financial statements for the three months ended 31 March 2020 are the same as those followed in the preparation of the Group's historical financial information for the three years ended 31 December 2019 included in the accountant's report as set out in Appendix I to the Prospectus.

The financial information relating to the three months ended 31 March 2019 that is included in the interim condensed consolidated statement of financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

All International Financial Reporting Standards ("IFRSs") effective after the accounting period commencing from 1 January 2019 and 1 January 2020, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Group's financial statements for the three years ended 31 December 2019.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES—continued**

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 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
IFRS 17	<i>Insurance Contracts¹</i>

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

² 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 a significant effect on the Group's financial performance and financial position.

3. 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 ingredient 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

3. OPERATING SEGMENT INFORMATION—continued

Segment revenue and results

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

For the three months ended 31 March 2020 (unaudited)

<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	318,413	753,541	187,906	116,920	1,376,780
Intersegment sales	347,154	406,756	8,751	35,787	798,448
	<u>665,567</u>	<u>1,160,297</u>	<u>196,657</u>	<u>152,707</u>	<u>2,175,228</u>
<u>Reconciliation:</u>					
Elimination of intersegment sales					<u>(798,448)</u>
Revenue from contracts with customers					<u>1,376,780</u>
Segment results :	121,754	361,172	51,351	54,464	588,741
<u>Reconciliation:</u>					
Elimination of intersegment results					(5,078)
Other income and gains					1,424
Selling and distribution expenses					(101,239)
Administrative expenses					(132,621)
Impairment losses on financial assets					(6,689)
Other expenses					(661)
Finance costs					(78,088)
Share of profits and losses of associates					44,444
Group's profit before tax					<u><u>310,233</u></u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

3. OPERATING SEGMENT INFORMATION—continued

Segment revenue and results—continued

For the three months ended 31 March 2019 (unaudited)

<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	166,639	537,262	178,075	139,583	1,021,559
Intersegment sales	<u>496,878</u>	<u>206,918</u>	<u>—</u>	<u>32,078</u>	<u>735,874</u>
	663,517	744,180	178,075	171,661	1,757,433
 <u>Reconciliation:</u>					
Elimination of intersegment sales					<u>(735,874)</u>
Revenue from contracts with customers					<u>1,021,559</u>
Segment results :	102,717	191,068	41,098	50,623	385,506
 <u>Reconciliation:</u>					
Elimination of intersegment results					(39,627)
Other income and gains					556,725
Selling and distribution expenses					(76,709)
Administrative expenses					(128,307)
Impairment losses on financial assets					(8,849)
Other expenses					(210)
Finance costs					(57,327)
Share of profits and losses of associates					<u>(60,855)</u>
Group's profit before tax					<u><u>570,347</u></u>

Geographical information

(a) Revenue from external customers

	Three months ended 31 March	
	<u>2020</u>	<u>2019</u>
	<u>RMB'000 (unaudited)</u>	<u>RMB'000 (unaudited)</u>
Hong Kong	14,084	656
United States of America	270,113	294,032
Europe	736,732	566,718
Mainland China	151,297	72,172
Other countries/regions	<u>204,554</u>	<u>87,981</u>
	<u>1,376,780</u>	<u>1,021,559</u>

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

3. OPERATING SEGMENT INFORMATION—continued

Geographical information—continued

(b) Non-current assets

	<u>As at 31 March</u>	<u>As at 31 December</u>
	<u>2020</u>	<u>2019</u>
	<u>RMB'000</u>	<u>RMB'000</u>
	<u>(unaudited)</u>	<u>(audited)</u>
Mainland China	3,502,764	3,454,556
United States of America	3,813,163	3,665,249
Europe	175,987	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 period ended 31 March 2019, revenue of approximately RMB275,137,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the period ended 31 March 2020, revenues of approximately RMB176,098,000, RMB158,059,000 and RMB147,576,000, was derived from respective single external customers each accounted for more than 10% of total revenue.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

4. REVENUE

Revenue from contracts with customers

(i) Disaggregated revenue information

For the three months ended 31 March 2020 (unaudited)

<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
Type of goods or services					
Sale of products	318,413	753,541	—	108,515	1,180,469
CDMO services	—	—	187,906	—	187,906
Others	—	—	—	8,405	8,405
Total revenue from contracts with customers	<u>318,413</u>	<u>753,541</u>	<u>187,906</u>	<u>116,920</u>	<u>1,376,780</u>
Geographical markets					
Hong Kong	—	14,084	—	—	14,084
United States of America	—	26,206	148,659	95,248	270,113
Europe	251,757	450,730	26,618	7,627	736,732
Mainland China	63,055	78,327	—	9,915	151,297
Other countries/regions	<u>3,601</u>	<u>184,194</u>	<u>12,629</u>	<u>4,130</u>	<u>204,554</u>
Total revenue from contracts with customers	<u>318,413</u>	<u>753,541</u>	<u>187,906</u>	<u>116,920</u>	<u>1,376,780</u>
Timing of revenue recognition					
Products transferred at a point in time	318,413	753,541	—	108,515	1,180,469
Services transferred at a point in time	—	—	88,710	4,497	93,207
Services transferred over time	—	—	99,196	3,908	103,104
Total revenue from contracts with customers	<u>318,413</u>	<u>753,541</u>	<u>187,906</u>	<u>116,920</u>	<u>1,376,780</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

4. REVENUE—continued

Revenue from contracts with customers—continued

(i) Disaggregated revenue information—continued

For the three months ended 31 March 2019 (unaudited)

<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
Type of goods or services					
Sale of products	166,639	537,262	—	125,555	829,456
CDMO services	—	—	178,075	—	178,075
Others	—	—	—	14,028	14,028
Total revenue from contracts with customers	<u>166,639</u>	<u>537,262</u>	<u>178,075</u>	<u>139,583</u>	<u>1,021,559</u>
Geographical markets					
Hong Kong	656	—	—	—	656
United States of America	—	28,975	167,460	97,597	294,032
Europe	133,720	425,629	414	6,955	566,718
Mainland China	29,653	12,749	—	29,770	72,172
Other countries /regions	2,610	69,909	10,201	5,261	87,981
Total revenue from contracts with customers	<u>166,639</u>	<u>537,262</u>	<u>178,075</u>	<u>139,583</u>	<u>1,021,559</u>
Timing of revenue recognition					
Products transferred at a point in time . . .	166,639	537,262	—	125,555	829,456
Services transferred at a point in time . . .	—	—	2,800	7,276	10,076
Services transferred over time	—	—	175,275	6,752	182,027
Total revenue from contracts with customers	<u>166,639</u>	<u>537,262</u>	<u>178,075</u>	<u>139,583</u>	<u>1,021,559</u>

The following table shows the amounts of revenue recognised during the each of the periods ended 31 March 2019 and 2020 that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	Three months ended 31 March	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of period:		
Sale of products	2,983	7,876
CDMO services	<u>61,039</u>	<u>57,403</u>
	<u>64,022</u>	<u>65,279</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

4. REVENUE—continued

Revenue from contracts with customers—continued

(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 Fee-for-service (“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.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of 31 March 2020 and 31 December 2019 are as follows:

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB’000</u> <u>(unaudited)</u>	<u>RMB’000</u> <u>(audited)</u>
Within one year	<u>263,734</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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

5. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Other income		
Bank interest income	4,297	7,471
Government grants related to		
—Assets*	518	518
—Income**	15,211	3,683
Dividend income from financial assets designated at fair value through other comprehensive income	16,773	—
	<u>36,799</u>	<u>11,672</u>
Other gains		
Foreign exchange gains/(losses), net	12,228	(55,762)
Gains on disposal of financial assets at fair value through profit or loss	205	864
Fair value gains/(losses), net:		
Fair value (losses)/gains on financial assets at fair value through profit or loss	(42,092)	25,623
Fair value losses on derivative instruments (note 15)	(9,033)	(522)
Gain on deemed disposal of a subsidiary (note 26)	—	573,865
Gains on disposal of items of property, plant and equipment	5	67
Others	3,312	918
	<u>(35,375)</u>	<u>545,053</u>
	<u>1,424</u>	<u>556,725</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.

** 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 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.

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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

6. PROFIT BEFORE TAX

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

	Three months ended 31 March	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Cost of inventories sold	654,070	532,120
Cost of services provided	139,047	143,560
Depreciation of property, plant and equipment	50,769	43,898
Depreciation of right-of-use assets	8,692	8,645
Amortization of other intangible assets	14,045	12,879
Research and development costs*	17,749	40,539
Auditor's remuneration	3,318	—
Expense related to public offering	7,652	—
Employee benefit expense (including directors' and supervisors' remuneration) :		
Salaries and other benefits	144,995	140,816
Pension scheme contributions, social welfare and other welfare	29,942	33,659
Rental expenses from short-term leases	343	1,317
Bank interest income	(4,297)	(7,471)
Finance costs	78,088	57,327
Dividend income from financial assets at fair value through other comprehensive income	(16,773)	—
Foreign exchange (gains)/losses, net	(12,228)	55,762
Gains on disposal of financial assets at fair value through profit or loss	(205)	(864)
Fair value losses on derivative instruments	9,033	522
Fair value losses/(gains) on financial assets at fair value through profit or loss	42,092	(25,623)
Gain on deemed disposal of a subsidiary	—	(573,865)
Gains on disposal of items of property, plant and equipment	(5)	(67)
Impairment losses on financial assets	6,689	8,849
Write-down of inventories to net realizable value	7,146	9,711

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

7. INCOME TAX

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

	Three months ended 31 March	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Current tax expense		
PRC	32,099	20,185
USA	40,675	12,091
Elsewhere	170	227
Overprovision in prior years from the PRC	(165)	—
	<u>72,779</u>	<u>32,503</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

7. INCOME TAX—continued

	Three months ended 31 March	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Deferred tax expense		
PRC	(4,258)	73,632
USA	(6,121)	(354)
Elsewhere	(9,136)	(2,531)
	<u>(19,515)</u>	<u>70,747</u>
Total tax charge for the period	<u>53,264</u>	<u>103,250</u>

8. DIVIDENDS

The directors did not recommend the payment of any dividend in respect of the each of the periods ended 31 March 2020 and 2019.

9. 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 each of the periods ended 31 March 2019 and 2020 as adjusted to reflect the subsequent changes in capital at nil consideration.

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

	Three months ended 31 March	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	<u>257,603</u>	<u>478,271</u>

	Three months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
<u>Number of shares</u>		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	<u>1,247,201,704</u>	<u>1,247,201,704</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

10. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2020, the Group acquired assets with a cost of RMB54,717,000 (31 March 2019: RMB52,169,000) and disposed of assets with a net carrying amount of RMB356,000 (31 March 2019: RMB4,357,000).

11. GOODWILL

	RMB'000
At 1 January 2019:	
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	<u>38,145</u>
Cost and net carrying amount at 31 December 2019(audited)	<u><u>2,354,908</u></u>
At 31 December 2019:	
Cost	2,354,908
Accumulated impairment	—
Net carrying amount	<u>2,354,908</u>
Cost at 1 January 2020, net of accumulated impairment	2,354,908
Impairment during the period	—
Exchange realignment	<u>36,760</u>
Cost and net carrying amount at 31 March 2020(unaudited)	<u><u>2,391,668</u></u>

12. INVESTMENTS IN ASSOCIATES

	<u>As at 31 March</u>	<u>As at 31 December</u>
	<u>2020</u>	<u>2019</u>
	RMB'000	RMB'000
	(unaudited)	(audited)
Share of net assets	450,570	305,563
Goodwill on acquisition	<u>1,044,209</u>	<u>1,044,209</u>
	1,494,779	1,349,772
Provision for impairment	—	—
	<u><u>1,494,779</u></u>	<u><u>1,349,772</u></u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

12. INVESTMENTS IN ASSOCIATES—continued

Particulars of the Group’s associates are as follows:

Names	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group		Principal activities
			31 March	31 December	
			2020	2019	
Resverlogix Corp.	Ordinary shares	Canada	38.61%	38.78%	Biopharmaceutical R&D
Quest PharmaTech Inc. (hereafter, the “Quest”)	Ordinary shares	Canada	14.90%	14.94%	Biopharmaceutical R&D
OncoQuest Inc.	Ordinary shares	Canada	30.49%	38.74%	Biopharmaceutical R&D
Shanghai Taiyi Venture Capital Partnership. (limited partnership)	Limited partnership	PRC	49.9975%	49.9975%	Investment management
Shenzhen Asia Pacific Health Management Co., Ltd.	Ordinary shares	PRC	27.43%	27.43%	Health management consulting
Hightide Therap Eutics, Inc. (hereafter, the “HighTide”)	Ordinary shares	Cayman Islands	47.02%	47.02%	Biopharmaceutical R&D

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.

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 condensed consolidated financial statements:

	<u>As at 31 March</u> 2020	<u>As at 31 December</u> 2019
	<u>RMB’000</u> <u>(unaudited)</u>	<u>RMB’000</u> <u>(audited)</u>
Current assets	35,433	40,685
Non-current assets, excluding goodwill	346,273	347,839
Current liabilities	(257,650)	(297,626)
Non-current liabilities	(372,953)	(447,000)
Net liabilities, excluding goodwill	<u>(248,897)</u>	<u>(356,102)</u>
Reconciliation to the Group’s interest in the associate:		
Proportion of the Group’s ownership	38.61%	38.78%
Group’s share of net liabilities of the associate, excluding goodwill . .	(96,099)	(138,096)
Goodwill on acquisition	581,440	581,440
Carrying amount of the investment	<u>485,341</u>	<u>443,344</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

12. INVESTMENTS IN ASSOCIATES—continued

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 condensed consolidated financial statements:

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Current assets	25,993	42,821
Non-current assets, excluding goodwill	524,890	525,145
Current liabilities	(8,302)	(10,385)
Non-current liabilities	(10,784)	(7,670)
Net assets, excluding goodwill	<u>531,797</u>	<u>549,911</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	47.02%	47.02%
Group's share of net assets of the associate, excluding goodwill	250,051	258,568
Goodwill on acquisition	344,118	344,118
Carrying amount of the investment	<u>594,169</u>	<u>602,686</u>

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

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Share of the associates' losses for the period/year	13,122	(29,081)
Share of the associate's other comprehensive income for the period/year	—	358
Carrying amount of the Group's investment in the associates	415,269	303,742

**13. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER
COMPREHENSIVE INCOME**

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Equity investments designated at fair value through other comprehensive income		
Listed equity investment, at fair value:		
Aridis Pharmaceuticals, Inc.	35,788	27,271
Unlisted equity investments, at fair value:		
Cantex Pharmaceuticals, Inc.	212,553	209,286
Curemark, LLC	419,114	388,940
Others	1,305	1,900
	<u>632,972</u>	<u>600,126</u>
	<u>668,760</u>	<u>627,397</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

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

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.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Current		
Wealth management products	11,133	87,876
Non-current		
Unlisted equity investments and convertible loan, at fair value		
Kymbab Group Limited	291,198	312,532
TPG Biotechnology Partners IV, L.P.	31,519	51,046
TPG Biotechnology Partners V, L.P.(a)	456,520	379,819
ORI Healthcare Fund, L.P. (b)	204,296	216,564
Shenzhen Top Dental Medical Co., Ltd.	136,000	136,000
Labway Clinical Laboratory Co., Ltd.	39,500	41,400
Hejia Hongli (Hang Zhou) Venture Investment Partnership (L.P.) . . .	38,789	42,403
CDH Avatar, L.P.	4,997	6,679
Others	42,728	41,728
	<u>1,245,547</u>	<u>1,228,171</u>
	<u>1,256,680</u>	<u>1,316,047</u>

(1) Wealth management products

The Group managed and evaluated the performance of wealth management products 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 2019 and 31 March 2020.

(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 Company purchase a limited partnership interest in TPG Biotechnology Partners V, L.P. ("TPG V") with RMB42,532,000 to in the period of three months ended 31 March 2020. The fair value of the investment in TPG V was RMB379,819,000 and RMB456,520,000 as at 31 December 2019 and 31 March 2020, respectively.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

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

(2) Unlisted equity investments, at fair value—continued

- (b) The Group purchase a limited partnership interest in ORI Healthcare Fund, L.P. (“ORI”) with RMB6,984,000 in the period of three months ended 31 March 2020. The fair value of the investment in ORI was RMB216,564,000 and RMB204,296,000 as at 31 December 2019 and 31 March 2020 respectively.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Current		
Warrants	<u>15,735</u>	<u>24,768</u>

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 other income and gains during the each of the periods ended 31 March 2019 and 2020.

16. OTHER NON-CURRENT ASSETS

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Prepayment for purchase of property plant and equipment	12,512	15,132
Prepayment for marketing authorization	92,879	99,757
Bond security (a)	87,000	—
Debt investment(b)	70,000	74,183
Prepayment for investment(c)	<u>104,981</u>	<u>—</u>
	<u>367,372</u>	<u>189,072</u>

- (a) On 27 February 2020, the Company issued a corporate bond at a par value of RMB870,000,000 in the PRC (the “20 Hepalink”). RMB87,000,000 was pledged to a third-party guarantor, in order to guarantee the realization of creditor’s rights.
- (b) 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.
- (c) At 31 March 2020, the prepayment for investment represent the prepayment of the consideration for subscribing common shares of Curemark, LLC (“Curemark”) by selling pancreatin products of USD12,521,000 and providing service of USD2,296,000 to Curemark.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

17. INVENTORIES

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Raw materials and consumables	927,220	740,841
Work in progress	603,258	465,808
Finished goods	<u>1,127,698</u>	<u>1,156,519</u>
	<u>2,658,176</u>	<u>2,363,168</u>

The inventories are net of a write-down of approximately RMB128,961,000 and RMB122,583,000 as at 31 December 2019 and 31 March 2020, respectively.

18. TRADE AND BILLS RECEIVABLES

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Trade receivables	1,470,134	1,281,020
Bills receivable	1,103	22,826
Allowance for expected credit losses	<u>(23,734)</u>	<u>(21,721)</u>
	<u>1,447,503</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 31 March 2020 and 31 December 2019, based on the billing date and net of allowance for expected credit losses, is as follows:

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Within 90 days	1,371,106	1,221,105
90 to 180 days	29,033	13,363
180 days to 1 year	37,701	39,523
1 year to 2 years	3,965	3,972
Over 2 years	<u>5,698</u>	<u>4,162</u>
	<u>1,447,503</u>	<u>1,282,125</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

18. TRADE AND BILLS RECEIVABLES—continued

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

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
At beginning of year/period	21,721	26,162
Impairment losses, net	1,886	(2,367)
Write-off	—	(2,581)
Exchange realignment	127	507
	<u>23,734</u>	<u>21,721</u>

19. CONTRACT ASSETS

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Contract assets arising from service	<u>32,127</u>	<u>31,186</u>

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

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Prepayments	512,016	431,266
Deposits and other receivables*	64,478	62,360
Interest receivables	18,962	12,152
VAT refund receivables	34,793	42,832
VAT recoverable	68,292	60,330
Prepaid tax	—	534
Prepaid expenses	29,963	33,274
Less: Impairment**	(14,678)	(13,188)
	<u>713,826</u>	<u>629,560</u>

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

** As at 31 December 2019 and 31 March 2020, 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

21. TRADE PAYABLES

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Trade payables	282,648	228,661

An aging analysis of the trade payable as at 31 December 2019 and 31 March 2020, based on the invoice date, is as follows:

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Within 1 year	281,537	226,579
1 year to 2 years	999	1,617
2 years to 3 years	2	262
Over 3 years	110	203
	<u>282,648</u>	<u>228,661</u>

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

22. OTHER PAYABLES AND ACCRUALS

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Other payables	81,708	94,480
Accruals	157,806	157,019
Payables for purchase of property, plant and equipment	91,540	99,996
Salary payables	104,079	152,420
Other tax payables	35,857	24,822
	<u>470,990</u>	<u>528,737</u>

23. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	<u>As at 31 March</u> <u>2020</u>	<u>As at 31 December</u> <u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Sale of products	2,024	3,642
CDMO services	208,686	196,626
	<u>210,710</u>	<u>200,268</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

23. CONTRACT LIABILITIES—continued

The Group receives 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 domestic pre-wholesalers.

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.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

31 March 2020

	As at 31 March 2020		
	Effective interest rate per annum	Maturity	RMB'000 (unaudited)
Current			
Bank loans—secured	1.1%-4.8% , 3MLIBOR+130BP	2020-2021	1,541,448
Bank loans—unsecured	3.0%-4.9%	2020-2021	470,258
Current portion of long-term bank loans— secured	5.4%-6.5%, 3 MLIBOR+130BP-150BP LIBOR+Applicable Margin	2020	595,837
Other borrowings—unsecured	2.9%-3.9%	2020	530,000
Current portion of corporate bonds(a)	3.8%-6.5%	2020	478,654
			<u>3,616,197</u>
Non-current			
Bank loans—secured	5.4%-6.5%, LIBOR+Applicable Margin	2023-2029	1,387,668
Corporate bonds (a)	3.8%-6.0%	2021-2025	1,555,852
			<u>2,943,520</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

24. INTEREST-BEARING BANK AND OTHER BORROWINGS—continued

31 December 2019

	As at 31 December 2019		
	Effective interest rate per annum	Maturity	RMB'000 (audited)
Current			
Bank loans—secured	4.6%-4.8%, 3MLIBOR+130BP	2020	1,689,405
Bank loans—unsecured	1.1%-4.9%	2020	507,340
Current portion of long-term bank loans— secured	5.4%-6.5%, LIBOR+APPLICABLE MARGIN	2020	553,195
Other borrowings—unsecured	2.9%-4.5%	2020	730,700
Current portion of corporate bonds	5.5%-6.5%	2020	458,700
			<u>3,939,340</u>
Non-current			
Bank loans—secured	5.4%-6.5%, LIBOR+APPLICABLE MARGIN	2023-2029	1,658,959
Corporate bonds	5.5%-6.0%	2021-2023	695,694
			<u>2,354,653</u>

- (a) On 27 February 2020, the Company issued a corporate bond at a par value of RMB870,000,000 in the PRC (the “20 Hepalink”). The 20 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 20 Hepalink at par. The 20 Hepalink bears interest at the rate of 3.80% per annum, payable annually in arrears or on the business day nearest to 27 February of each year, starting from 27 February 2020.

25. SHARE CAPITAL

	As at 31 March 2020	As at 31 December 2019
	RMB'000 (unaudited)	RMB'000 (audited)
Registered, issued and fully paid 1,247,201,704 ordinary shares	<u>1,247,202</u>	<u>1,247,202</u>

26. DISPOSAL OF A SUBSIDIARY

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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

27. COMMITMENTS

The Group had the following capital commitments at the end of 31 March 2020 and 31 December 2019:

	<u>As at 31 March</u> <u>2020</u> <u>RMB'000</u> <u>(unaudited)</u>	<u>As at 31 December</u> <u>2019</u> <u>RMB'000</u> <u>(audited)</u>
Contracted, but not provided for:		
Property, plant and equipment	264,397	314,333
Capital contributions payable to investments	250,370	190,616
	<u>514,767</u>	<u>504,949</u>

28. 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	Controlling Shareholders
深圳市樂仁科技有限公司 Shenzhen Leren Technology Co., Ltd.	Controlling Shareholders
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)	Controlling Shareholders
烏魯木齊飛來石股權投資有限公司 Urumqi Feilashi Equity Investment Co., Ltd.	Controlling Shareholders
Mr. Shan Yu	Shareholder and key management and a close family member of the Controlling Shareholders
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”)	Shareholder of the Company
Aridis Pharmaceuticals Inc	Minority shareholder of a subsidiary
OncoQuest Inc.	Associate
Resverlogix Corp.	Associate
深圳市亞太健康管理有限公司 Shenzhen Asia Pacific Health Management Co., Ltd.	Associate

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

28. RELATED PARTY TRANSACTIONS—continued

In addition to the transactions detailed elsewhere in the interim condensed consolidated financial information, the Group had the following material related party transactions during the each of the periods ended 31 March 2019 and 2020:

(b) Significant related party transactions

	<u>Three months ended 31 March</u>	
	<u>2020</u>	<u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(unaudited)</u>
Revenue from sales of products		
OncoQuest Inc.	9,981	918

(c) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 31 December 2019 and 31 March 2020.

	<u>As at 31 March</u>	<u>As at 31 December</u>
	<u>2020</u>	<u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
<i>Due from related parties</i>		
Trade receivables (trade in nature) (Note (i))		
OncoQuest Inc.	21,941	18,584
Other receivables (non-trade in nature)		
Controlling Shareholders (Note (ii))	240,279	240,279
Mr. Shan Yu (Note (ii))	7,548	7,548
Shuidi Shichuan (Note (ii))	4,572	4,572
Resverlogix Corp.	42,263	44,689
Total receivables from related parties	<u>316,603</u>	<u>315,672</u>
<i>Due to related parties</i>		
Aridis Pharmaceuticals Inc. (non-trade in nature)	513	1,062
Deposit received (trade in nature)		
OncoQuest Inc.	3,090	3,089
Total payables to related parties	<u>3,603</u>	<u>4,151</u>

(i) Trade receivables due from related parties are unsecured, interest-free and repayable on demand.

(ii) Other receivables of RMB252,399,000 due from the Controlling Shareholders, Mr. Shan and Shuidi Shichuan are deemed contribution due to the fact that Topknow did not meet the guaranteed profit for the year ended 31 December 2019.

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

28. RELATED PARTY TRANSACTIONS—continued

(d) Compensation of key management personnel of the Group

	<u>Three months ended 31 March</u>	
	<u>2020</u>	<u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(unaudited)</u>
Fees	75	75
Salaries, allowances and benefits in kind	2,354	1,676
Pension scheme contributions	22	106
	<u>2,451</u>	<u>1,857</u>

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at 31 March 2020 and 31 December 2019 are as follows:

<u>Financial assets</u>	<u>As at 31 March</u>	<u>As at 31 December</u>
	<u>2020</u>	<u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	1,256,680	1,316,047
Derivative financial instruments	15,735	24,768
	<u>1,272,415</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	668,760	627,397
At amortised cost:		
Financial assets included in non-current assets	157,000	74,183
Trade and bills receivables	1,447,503	1,282,125
Due from related parties	316,603	315,672
Financial assets included in prepayments, other receivables and other assets	68,762	61,324
Pledged deposits	51,592	61,568
Time deposits	127,510	127,510
Cash and cash equivalents	899,882	1,076,537
	<u>3,173,833</u>	<u>2,998,919</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

29. FINANCIAL INSTRUMENTS BY CATEGORY—continued

<u>Financial liabilities</u>	<u>As at 31 March</u>	<u>As at 31 December</u>
	<u>2020</u>	<u>2019</u>
	<u>RMB'000</u> <u>(unaudited)</u>	<u>RMB'000</u> <u>(audited)</u>
At amortised cost:		
Trade and bills payables	282,648	228,661
Due to related parties	3,603	4,151
Financial liabilities included in other payables and accruals	173,248	194,476
Interest-bearing bank and other borrowings	6,559,717	6,293,993
Lease liabilities	114,849	119,233
	<u>7,134,065</u>	<u>6,840,514</u>

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2019 and 31 March 2020, 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 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 2019 and 31 March 2020 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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued****30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—
continued**

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 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 condensed 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, are measured using valuation techniques similar to Binomial Tree Model. 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 2019 and 31 March 2020, 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

**30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—
continued**

Fair value hierarchy

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

Assets measured at fair value:

As at 31 March 2020 (unaudited)

	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	
Equity investments at fair value through other comprehensive income	35,788	632,972	—	668,760
Financial assets at fair value through profit or loss	—	1,256,680	—	1,256,680
Derivative financial instruments	—	15,735	—	15,735
	<u>35,788</u>	<u>1,905,387</u>	<u>—</u>	<u>1,941,175</u>

As at 31 December 2019 (audited)

	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	
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>

Assets for which fair values are disclosed:

As at 31 March 2020

	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	
Debt investment	—	75,671	—	75,671
Bond security	—	—	77,791	77,791
	<u>—</u>	<u>75,671</u>	<u>77,791</u>	<u>153,462</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued**

**30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—
continued**

Assets for which fair values are disclosed:—continued

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 March 2020

	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	—	2,943,520	—	2,943,520
Other non-current liabilities	—	—	9,943	9,943
	=	=	=	=
	=	=	=	=

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
Interest-bearing bank and other borrowings	—	2,354,653	—	2,354,653
Other non-current liabilities	—	—	9,783	9,783
	=	=	=	=
	=	=	=	=

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The fair values of unlisted equity investments designated at fair value have been estimated using precedent transaction method 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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—
continued

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

Liabilities for which fair values are disclosed:—continued

condensed 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.