The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SCICLONE PHARMACEUTICALS (HOLDINGS) LIMITED, MORGAN STANLEY ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CREDIT SUISSE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of SciClone Pharmaceuticals (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-93, which comprises the consolidated balance sheets as at December 31, 2017, 2018 and 2019 and September 30, 2020, the balance sheet of the Company as at September 30, 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 (the "Track Record Period") 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-4 to I-93 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated February 19, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's 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, *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 accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 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 accountant's report, a true and fair view of the financial position of the Company as at September 30, 2020 and the consolidated financial position of the Group as at December 31, 2017, 2018 and 2019 and September 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended September 30, 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review 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 International 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-4 have been made.

Dividends

We refer to note 16 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
February 19, 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("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 COMPREHENSIVE INCOME

	Note	Year ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019	Nine months ended September 30, 2019	Nine months ended September 30, 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	8	1,212,966	1,408,869	1,708,068	1,290,771	1,584,173
Cost of revenue	12	(181,178)	(302,999)	(393,141)	(292,745)	(346,063)
Gross profit		1,031,788	1,105,870	1,314,927	998,026	1,238,110
Sales and marketing expenses	12	(395,965)	(389,046)	(460,332)	(316,009)	(298,430)
Administrative expenses	12	(332,170)	(143,491)	(118,385)	(92,052)	(146,243)
Research and development ("R&D") expenses	12	(82,665)	(77,463)	(87,688)	(59,370)	(48,717)
Other income	9	13,313	37,085	6,795	6,755	65,624
Other expenses	9, 12	—	—	—	—	(55,310)
Other gains/(losses) — net	10	26,459	(38,599)	(5,128)	(17,535)	7,979
Operating profit		260,760	494,356	650,189	519,815	763,013
Finance income	11	1,498	2,659	12,171	8,211	9,189
Finance costs	11	(1,744)	(1,742)	(1,189)	(1,101)	(17,381)
Finance income/(cost), net		(246)	917	10,982	7,110	(8,192)
Profit before income tax		260,514	495,273	661,171	526,925	754,821
Income tax (expense)/credit	14	(240,932)	39,809	(46,567)	(39,747)	(65,065)
Profit for the year/period attributable to owners of the Company		19,582	535,082	614,604	487,178	689,756
Other comprehensive (loss)/income						
Items that will not be reclassified to profit or loss						
Changes in the fair value of equity investments at fair value through other comprehensive income ("FVOCI")	26	3,914	835	17,679	17,554	83,860
Items that may be subsequently reclassified to profit or loss						
Currency translation differences	33	(72,928)	57,536	27,578	47,100	22,684
Total comprehensive (loss)/income for the year/period		(49,432)	593,453	659,861	551,832	796,300
Total comprehensive (loss)/income attributable to:						
Owners of the Company		(49,432)	593,453	659,861	551,832	796,300
Earnings per share attributable to owners of the Company (RMB)	15					
Basic earnings per share		0.04	0.99	1.13	0.90	1.26
Diluted earnings per share		0.04	0.99	1.13	0.90	1.25

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31, 2017	As at December 31, 2018	As at December 31, 2019	As at September 30, 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Right-of-use assets	17	38,494	39,125	26,082	11,419
Property, plant and equipment	18	9,283	13,312	9,021	4,956
Intangible assets	19	127,067	143,468	169,251	567,911
Financial assets at fair value through profit or loss ("FVPL")	25, 26	5,120	15,871	24,971	25,209
Financial assets at FVOCI	25, 26	17,538	19,285	37,491	165,980
Other assets	20	87,141	9,387	6,991	5,003
		284,643	240,448	273,807	780,478
Current assets					
Inventories	21	143,795	145,401	140,199	123,837
Trade receivables	22, 25	351,349	603,169	362,900	410,081
Other current assets	23	36,747	22,599	25,666	75,837
Financial assets at FVPL	25, 26	129,488	8,698	123,761	100,102
Cash and cash equivalents	24, 25	481,629	275,962	919,490	1,151,967
Restricted cash	24, 25	—	—	—	170,253
		1,143,008	1,055,829	1,572,016	2,032,077
Total assets		1,427,651	1,296,277	1,845,823	2,812,555
Equity and liabilities					
Liabilities					
Non-current liabilities					
Borrowings	30	—	—	—	1,631,447
Deferred tax liabilities	31	2,975	4,938	6,240	8,289
Lease liabilities	25, 29, 34(c)	19,642	17,354	6,992	3,005
Other non-current liabilities		579	800	815	202
		23,196	23,092	14,047	1,642,943
Current liabilities					
Trade and other payables	28	171,679	165,744	224,321	504,548
Lease liabilities	25, 29, 34(c)	19,140	22,206	19,466	8,895
Borrowings	30	—	—	—	408,460
Current tax liabilities		253,738	42,364	62,812	81,699
		444,557	230,314	306,599	1,003,602
Total liabilities		467,753	253,406	320,646	2,646,545
Net assets		959,898	1,042,871	1,525,177	166,010
Equity attributable to owners of the Company					
Share capital	32	—	—	—	192
Other reserves	33	1,662,676	1,214,150	1,296,133	73,172
(Accumulated losses)/retained earnings		(702,778)	(171,279)	229,044	92,646
Total equity		959,898	1,042,871	1,525,177	166,010

BALANCE SHEET OF THE COMPANY

	Note	As at September 30, 2020
		RMB'000
Assets		
Non-current assets		
Investment in subsidiaries		6,534,345
Current assets		
Other current assets		7,487
Cash and cash equivalents		24,907
		32,394
Total assets		6,566,739
Equity and liabilities		
Current liabilities		
Trade and other payables		25,512
Total liabilities		25,512
Net assets		6,541,227
Equity attributable to owners of the Company		
Share capital	32	192
Other reserves	33	6,560,012
Accumulated losses		(18,977)
Total equity		6,541,227

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company			
	Note	Share capital	Other reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017		—	2,129,018	(721,708)	1,407,310
Comprehensive loss					
Profit for the year		—	—	19,582	19,582
Changes in the fair value of equity investments at FVOCI	26	—	3,914	—	3,914
Foreign currency translation	33	—	(72,928)	—	(72,928)
Total comprehensive loss		—	(69,014)	19,582	(49,432)
Transactions with equity holders of the Group					
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan of SciClone Pharmaceuticals, Inc. ("SPI")		—	19,169	—	19,169
Appropriation to statutory reserves	33	—	652	(652)	—
Share based compensation expenses	27(a)	—	54,598	—	54,598
Repurchase of common stock of SPI	33	—	(471,747)	—	(471,747)
Total transactions with equity holders of the Group		—	(397,328)	(652)	(397,980)
Balance at December 31, 2017		—	1,662,676	(702,778)	959,898

		Attributable to owners of the Company			
	Note	Share capital	Other reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2018		—	1,662,676	(702,778)	959,898
Comprehensive income					
Profit for the year		—	—	535,082	535,082
Changes in the fair value of equity investments at FVOCI	26	—	835	—	835
Foreign currency translation	33	—	57,536	—	57,536
Total comprehensive income		—	58,371	535,082	593,453
Transactions with equity holders of the Group					
Appropriation to statutory reserves	33	—	3,583	(3,583)	—
Share based compensation expenses	27(b)	—	7,592	—	7,592
Contributions from equity holders	33	—	45,347	—	45,347
Dividends	16	—	(563,419)	—	(563,419)
Total transactions with equity holders of the Group		—	(506,897)	(3,583)	(510,480)
Balance at December 31, 2018		—	1,214,150	(171,279)	1,042,871

	Note	Share capital	Other reserves	(Accumulated losses)/ retained earnings	Total
		Attributable to owners of the Company			
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019		—	1,214,150	(171,279)	1,042,871
Comprehensive income					
Profit for the year		—	—	614,604	614,604
Changes in the fair value of equity investments at FVOCI	26	—	17,679	—	17,679
Foreign currency translation	33	—	27,578	—	27,578
Total comprehensive income		—	45,257	614,604	659,861
Transactions with equity holders of the Group					
Appropriation to statutory reserves	33	—	2,685	(2,685)	—
Share based compensation expenses	27(b)	—	34,041	—	34,041
Dividends	16	—	—	(211,596)	(211,596)
Total transactions with equity holders of the Group		—	36,726	(214,281)	(177,555)
Balance at December 31, 2019		—	1,296,133	229,044	1,525,177

	Note	Share capital	Other reserves	Retained earnings	Total
		Attributable to owners of the Company			
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		—	1,296,133	229,044	1,525,177
Comprehensive income					
Profit for the period		—	—	689,756	689,756
Changes in the fair value of equity investments at FVOCI	26	—	83,860	—	83,860
Foreign currency translation	33	—	22,684	—	22,684
Total comprehensive income		—	106,544	689,756	796,300
Transactions with equity holders of the Group					
Issuance of ordinary shares	32	192	25,193	—	25,385
Share based compensation expenses	27(b)	—	40,781	—	40,781
Contribution from shareholders	33	—	8,761	—	8,761
Dividends	16	—	(1,404,240)	(826,154)	(2,230,394)
Total transactions with equity holders of the Group		192	(1,329,505)	(826,154)	(2,155,467)
Balance at September 30, 2020		192	73,172	92,646	166,010

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	(Accumulated losses)/ retained earnings	Total
		RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Balance at January 1, 2019		—	1,214,150	(171,279)	1,042,871
Comprehensive income					
Profit for the period		—	—	487,178	487,178
Changes in the fair value of equity investments at FVOCI	26	—	17,554	—	17,554
Foreign currency translation	33	—	47,100	—	47,100
Total comprehensive income		—	64,654	487,178	551,832
Transactions with equity holders of the Group					
Share based compensation expenses	27(b)	—	25,646	—	25,646
Total transactions with equity holders of the Group		—	25,646	—	25,646
Balance at September 30, 2019		—	1,304,450	315,899	1,620,349

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Nine months ended September 30,	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash generated from operations	34	166,684	349,181	1,046,547	882,139	847,425
Interest received		1,498	2,659	11,964	7,602	7,063
Interest paid		(1,744)	(1,742)	(1,189)	(1,101)	(15,090)
Income tax paid		(12,611)	(182,657)	(25,696)	(20,867)	(29,511)
Net cash generated from operating activities		153,827	167,441	1,031,626	867,773	809,887
Cash flows from investing activities						
Cash received from repayment of loan receivables		—	82,187	—	—	—
Interest received from loan receivables		6,024	3,566	—	—	—
Payments for property, plant and equipment		(6,293)	(12,447)	(1,947)	(1,724)	(2,310)
Payments for intangible assets		(4,435)	(12,324)	(30,695)	(30,695)	(314,643)
Acquisition of financial assets at FVPL_debt investments		—	(13,726)	(6,976)	—	—
Acquisition of financial assets at FVOCI _equity investments		—	—	—	—	(49,557)
Acquisition of financial assets at FVPL_structured deposits		—	—	(620,000)	(320,000)	(887,000)
Proceeds from disposal of financial assets at FVPL_structured deposits		—	—	501,590	270,849	909,284
Increase in restricted cash	24(a)	—	—	—	—	(170,253)
Proceeds from disposal of financial assets at FVPL_money market funds		—	127,455	5,538	4,075	3,453
Net cash (used in)/generated from investing activities		(4,704)	174,711	(152,490)	(77,495)	(511,026)
Cash flows from financing activities						
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan of SPI		19,169	—	—	—	—
Issuance of ordinary shares	32	—	—	—	—	25,385
Repurchase of common stock of SPI	33	(471,747)	—	—	—	—
Principal elements of lease payments	17	(23,948)	(24,557)	(22,993)	(17,345)	(16,937)
Payment of debt issuance cost		—	—	—	—	(3,123)
Proceeds from bank borrowing		—	—	—	—	2,123,850
Contributions from shareholders	33	—	45,347	—	—	—
Payment of listing expenses		—	—	—	—	(2,646)
Dividends paid	16	—	(563,419)	(211,596)	—	(2,173,758)
Net cash used in financing activities		(476,526)	(542,629)	(234,589)	(17,345)	(47,229)
Net (decrease)/increase in cash and cash equivalents		(327,403)	(200,477)	644,547	772,933	251,632
Cash and cash equivalents at beginning of year/period		795,633	481,629	275,962	275,962	919,490
Effects of exchange rate changes on cash and cash equivalents		13,399	(5,190)	(1,019)	(169)	(19,155)
Cash and cash equivalents at end of year/period		481,629	275,962	919,490	1,048,726	1,151,967

II. NOTES TO THE FINANCIAL INFORMATION

1 General information and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands on May 13, 2020 as an exempted company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961 as combined and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in developing and commercializing a portfolio of marketed products as well as pipeline with potential in its focused therapeutic areas including oncology and severe infection (the "Listing Business"). The ultimate shareholders of the Group are GL Trade Investment L.P., GL GLEE Investment Limited, Ocean Falcon Limited, Avengers Limited, Ascendent Silver (Cayman) Limited and Boying Investments Limited (collectively, the "Ultimate Shareholders").

1.2 History and reorganization of the Group

(a) **History of the Group**

Immediately prior to the Reorganization (as described in Note 1.2(b)) and during the Track Record Period, the Listing Business was operated by SciClone Pharmaceuticals, Inc. ("SPI"), SciClone Pharmaceuticals International Limited ("SPIL"), a company incorporated in the Cayman Islands, and its subsidiaries (collectively, the "Operating Entities"). SPIL was directly wholly owned by SPI, a company incorporated in the United States of America (the "U.S.") in 1990.

Prior to October 13, 2017, SPI was a publicly-traded US SEC domestic registrant with NASDAQ-listed common stock under ticker "SCLN". On October 13, 2017, pursuant to an agreement and plan of merger consummated on June 7, 2017 with a consortium of investors (the "Shareholders"), SPI was privatized and ceased to be a public corporation, with the trading of its common shares terminated (the "Privatization").

With the express purpose of carrying out the acquisition of SPI, Silver Biotech Holding Limited ("SBH") was incorporated in the Cayman Islands on December 13, 2016. SBH is wholly owned by Silver Biotech Elements Limited ("SBE"), a company incorporated in the Cayman Islands and owned by the Shareholders.

Silver Delaware Investment Limited (the "Merger Sub"), a United States (Delaware) corporation and transitory acquisition vehicle, which was wholly owned by Silver Biotech Investment Limited ("SBI"), a Cayman Islands exempted company wholly owned by SBH, was merged with and into SPI, with SPI continuing as the sole surviving corporation.

As a result of the Privatization, SPI became a direct wholly owned subsidiary of SBI, while SBH and SBE became the parent companies of SPI.

After the Privatization in October 2017, a series of restructuring steps were taken to streamline the Group's global business structure. During the restructuring, SBI established SciClone Pharmaceuticals Limited ("SPL") and SciClone Pharmaceuticals Management Limited ("SPML", formerly known as SciClone Pharmaceuticals Holding Limited) as its wholly owned subsidiaries incorporated in Hong Kong in 2018. Supply chain and executive management businesses in SPI which comprised part of the Listing Business were transferred and incorporated into SPL and SPML, respectively.

As a result of the restructuring, 57% and 43% of the equity interests of SPIL were held by SBH and Silver New Cayman Holding Limited ("Silver New Cayman"), a company incorporated in the Cayman Islands, which was 50% and 50% held by SBH and SPI, respectively.

(b) **Reorganization**

In preparing for the initial public offering ("IPO") and listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent a reorganization (the "Reorganization") pursuant to which the Listing Business was transferred to the Company.

The Reorganization involved the following steps:

(i) On April 6, 2020, SPI transferred the entire equity interests of SciClone Pharmaceuticals Italy S.R.L. ("SP Italy") to SPIL at cost. As a result, SP Italy became a wholly owned subsidiary of SPIL;

(ii) On May 13, 2020, the Company was incorporated in the Cayman Islands with one share being allotted and issued to the initial subscriber. On the same date, the subscriber share of the Company was transferred at par value of USD0.00005 to GL GLEE Investment Limited, one of the Ultimate Shareholders, for the purpose of handling corporate reorganization and secretarial matters;

(iii) On June 16, 2020, SPI made distribution in specie of its 50% equity interests of Silver New Cayman to SBI. On June 18, 2020, SBI made distribution in specie of all its equity interests of Silver New Cayman to SBH, and then Silver New Cayman transferred all its equity interests of SPIL to SBH;

(iv) On June 18, 2020, SBI transferred its entire equity interests of SPL and SPML to SPIL at nil consideration. Following the transfer, SPL and SPML became wholly owned subsidiaries of SPIL;

(v) On June 18, 2020, SBH made a distribution in specie of its entire equity interests of SPIL to SBE; and

(vi) On June 24, 2020, SBE transferred its entire equity interests of SPIL to the Company. The Company allotted and issued 543,135,509 ordinary shares in total at par value of USD0.00005 each to the Ultimate Shareholders in proportion to their shareholdings in SBE as the fully paid consideration.

Upon the completion of the Reorganization, the Company became the holding company of the companies now comprising the Group.

As part of the Reorganization, all the relevant intellectual properties held by SPI are being transferred to SPIL. In light of the long time frame for the transfer, on May 28, 2020, SPI and SPIL entered into an intellectual property license agreement, pursuant to which SPI agreed to grant a perpetual, exclusive and royalty-free license to SPIL and its certain affiliates with respect to such relevant intellectual properties held by SPI.

1.3 Information about subsidiaries

Upon the completion of the Reorganization on June 24, 2020 and as of the date of this report, the Company had direct or indirect interests in the following subsidiaries:

				Attributable equity interests of the Group					
				As at December 31,			As at September 30,		
Company name	Place and date of incorporation	Issued and paid-in capital	Principal activities/ place of operation	2017	2018	2019	2020	As at date of this report	Note
Directly held									
SPIL	Cayman Islands, 11/16/1992; Registered in Hong Kong on July 19, 1993	USD 900,000	Product sales, manufacturing, business development and investment holding Cayman Islands	100%	100%	100%	100%	100%	(a)
Indirectly held									
SP Italy	Italy, December 14, 2000	EUR 10,000	License holding in Italy / Italy	100%	100%	100%	100%	100%	(a)
SciClone Pharmaceuticals International China Holding Ltd.	Cayman Islands, September 19, 2005	USD 50,000	Investment holding and product sales / Cayman Islands	100%	100%	100%	100%	100%	(a)
SciClone Pharmaceuticals Hong Kong Ltd.	Hong Kong, September 14, 2010	USD 61,828,872	Product sales / Hong Kong	100%	100%	100%	100%	100%	(b)
NovaMed Pharmaceuticals Inc.	Cayman Islands, May 19, 2006	USD 50,000	Dormant investment holding / Cayman Islands	100%	100%	100%	100%	100%	(a)

Company name	Place and date of incorporation	Issued and paid-in capital	Principal activities/ place of operation	Attributable equity interests of the Group: As at December 31, 2017	2018	2019	As at September 30, 2020	As at date of this report	Note
SciClone Pharmaceuticals Pty Ltd.	Australia April 29, 2019	USD 1	Dormant Company / Australia	—	—	100%	100%	100%	(a)
SciClone Pharmaceuticals Development (Suzhou) Co., Ltd. (蘇州蘇生醫藥研發有限公司)	People's Republic of China ("PRC"), April 2, 2020	RMB 10,500,000	R&D services / PRC	—	—	—	100%	100%	(f)
NovaMed Pharmaceuticals (Shanghai) Co., Ltd. (諾凡麥醫藥貿易(上海)有限公司)	PRC, March 2, 2007	USD 14,000,000	Dormant company / PRC	100%	100%	100%	100%	100%	(c)
SciClone Pharmaceuticals (China) Co., Ltd. (賽生醫藥(中國)有限公司)	PRC, October 15, 2014	RMB 50,000,000	Marketing and promotional support services / PRC	100%	100%	100%	100%	100%	(c)
SciClone Pharmaceuticals (Jiangsu) Co., Ltd. (賽生醫藥江蘇有限公司)	PRC, September 24, 2015	RMB 30,000,000	Products distribution and administration support / PRC	100%	100%	100%	100%	100%	(c)
Pu Duo Medical Technology Huangpu Shanghai (上海普多醫藥科技有限公司)	PRC, May 16, 2018	RMB 1,000,000	Clinical research service / PRC	—	100%	100%	100%	100%	(d)
SciClone Pharmaceuticals (Beijing) Co., Ltd. (賽生醫藥科技(北京)有限公司)	PRC, July 23, 2018	RMB 1,000,000	Various support services / PRC	—	100%	100%	100%	100%	(d)
SciClone Pharmaceuticals (China) Ltd. (賽生貿易(上海)有限公司)	PRC, February 7, 2006	USD 250,000	Marketing and promotion services / PRC	100%	100%	100%	100%	100%	(c)
SciClone Pharmaceuticals International (Cayman) Development Ltd.	Cayman Islands, June 11, 2008	USD 50,000	Pre-clinical R&D services / Cayman Islands	100%	100%	100%	100%	100%	(a)

				Attributable equity interests of the Group					
				As at December 31,			As at September 30,		
Company name	Place and date of incorporation	Issued and paid-in capital	Principal activities/ place of operation	2017	2018	2019	2020	As at date of this report	Note
SciClone Pharmaceuticals (HK) Development Co., Ltd.	Hong Kong, October 21, 2015	USD 1,000	Pre-clinical R&D services / Hong Kong	100%	100%	100%	100%	100%	(b)
SciClone Pharmaceuticals Development (Shanghai) Co., Ltd. (賽生醫藥研發(上海)有限公司)	PRC, May 12, 2015	USD 1,400,000	R&D services / PRC	100%	100%	100%	100%	100%	(c)
SPL	Hong Kong, September 19, 2018	Hong Kong Dollar ("HKD") 10,000	Supply chain and quality assurance services / Hong Kong	—	100%	100%	100%	100%	(e)
SPML	Hong Kong, September 19, 2018	HKD 10,000	Management services / Hong Kong	—	100%	100%	100%	100%	(e)
SciClone Supply Chain Management (Shanghai) Co., Ltd. (賽生供應鏈管理(上海)有限公司)	PRC, July 8, 2020	RMB 5,000,000	Product sales / PRC	—	—	—	100%	100%	(f)

(a) No audited financial statements have been prepared as these companies had no statutory audit requirements during the years ended December 31, 2017, 2018 and 2019 under the rules and regulations in the place of registration.

(b) The audited financial statements of these companies for the years ended December 31, 2017, 2018 and 2019 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(c) The audited financial statements of these companies for the years ended December 31, 2017, 2018 and 2019 were audited by Shanghai Jinhang Accountant Office Co., Ltd. (上海錦航會計師事務所), Certified Public Accountants in the PRC.

(d) The audited financial statements of these companies for the years ended December 31, 2018 and 2019 were audited by Shanghai Jinhang Accountant Office Co., Ltd. (上海錦航會計師事務所), Certified Public Accountants in the PRC.

(e) The audited financial statements of these companies for the period from September 19, 2018 (date of incorporation) to December 31, 2019 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(f) No audited financial statements have been prepared since this company was newly incorporated during the nine months ended September 30, 2020.

1.4 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business is conducted through the Operating Entities. Pursuant to the Reorganization, the Listing Business held through the Operating Entities are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The steps as described in Note 1.2 above are merely a Reorganization of the Operating Entities and did not change the business substance and management of the Listing Business conducted through the Operating Entities.

Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under the Operating Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Operating Entities, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business as recorded in the consolidated financial statements of the Operating Entities for all periods presented. Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

The financial information of SPI that relates to the Listing Business for the Track Record Period was included in the Historical Financial Information in the following manner:

(i) Retrospective presentation method is adopted by the Group that SPI's business was incorporated as if it had always been consolidated with the Listing Business. Transactions and balances of SPI were consolidated in the Historical Financial Information at carrying values.

(ii) Upon completion of the Reorganization, assets and liabilities of SPI relating to the Listing Business which were not transferred to the Group (mainly included cash and cash equivalents, current tax liabilities, other current assets and other payables) were accounted for as a deemed distribution to or contribution from the shareholders.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVPL or FVOCI which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 6.

The Historical Financial Information has been prepared based on the consolidated financial statements of the Group. Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2020, are consistently applied by the Group for the Track Record Period.

IFRS 9, "Financial instruments" and IFRS 15, "Revenue from contracts with customers" are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. IFRS 16, "Leases" is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. The Group has early adopted IFRS 9, IFRS 15 and IFRS 16 and applied consistently throughout the Track Record Period.

Details about the Group's accounting policies in relation to revenue, financial instruments and leases are discussed in Note 2.24, Note 2.8 and Note 2.25, respectively.

— New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards	Effective for annual periods beginning on or after
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined
Amendments to IAS 1, "Classification of Liabilities as Current and Non-current"	January 1, 2023
Amendments to IFRS 3, "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022
Annual improvements to IFRS standards 2018-2020	January 1, 2022
Amendment to IAS 16, "Property, Plant and Equipment: Proceeds before intended use"	January 1, 2022
Amendment to IFRS 16, "COVID-19 - Related Rent Concessions"	June 1, 2020

The directors have performed assessment on the new standards and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements when they become effective.

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains/losses on transactions between the companies within the Group are eliminated on consolidation.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income ("OCI") in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries in the separate financial statements of the Company are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its subsidiaries incorporated outside of Mainland China are USD, EUR or HKD, while the functional currencies of the Company's subsidiaries established in Mainland China are Renminbi ("RMB"). As the major business of the Group are within Mainland China, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within "Other gains/(losses) — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at FVOCI are recognized in OCI.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognized in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in OCI.

(d) **Disposal of foreign operation and partial disposal**

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group's losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment ("PP&E") is stated at historical cost less depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of PP&E is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
— Office furniture and equipment	3 – 5 years
— Vehicle	4 years
— Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals of PP&E are determined by comparing proceeds with carrying amount and are recognized in "Other gains/(losses) — net" in the consolidated statements of comprehensive income.

2.6 Intangible assets

(a) R&D expenditures

Research expenditure on research activities is recognized as an expense as incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- it is technically feasible to complete the intangible assets so that it will be available for use;
- management intends to complete the intangible assets and use or sell it;
- there is an ability to use or sell the intangible assets;
- it can be demonstrated how the intangible assets will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available; and
- the expenditure attributable to the intangible assets during its development can be reliably measured.

During the Track Record Period, the Group's R&D expenditures incurred did not meet the capitalization principle above and were expensed as incurred.

(b) Licenses

Payments made to third parties to in-license or acquire intellectual property rights, compounds and products include initial non-refundable upfront payments, subsequent milestone payments and royalty payments. Upfront and milestone payments are capitalized as intangible assets when incurred, unless these payments are for outsourced R&D work which follow the capitalization principle in Note 2.6 (a). Royalty payments incurred along with the underlying sales are expensed as incurred and charged to cost of revenue.

Additional payments for purchase of intangible assets contingent on future events are not considered on initial recognition of the assets, but are added to the costs of the assets initially recorded when incurred, or when related liabilities are remeasured for changes in cash flows, if such payments are related to the costs of the assets.

Subsequent internal R&D expenses in relation to in-license intellectual property rights, compounds and products are expensed or capitalized in accordance with the accounting policy as mentioned in Note 2.6 (a). During the Track Record Period, the Group's R&D expenditures incurred did not meet the capitalization principle for any products and were expensed as incurred.

Intangible assets associated with in-license arrangements that have an indefinite useful life or not available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired (Note 2.7).

Intangible assets recognized related to in-license arrangements are amortized on the straight-line basis over their useful economic lives when they become available for use (Note 6 (c)).

Estimated useful lives of available-for-use intangible assets are as follows:

	Estimated useful lives
Licenses	5 – 10 years (based on the terms of the in-license arrangements or the estimated duration of product sales, whichever is shorter)

(c) **Software**

Costs incurred to acquire and bring to use of software are capitalized as intangible assets and amortized over their estimated useful lives (generally 3 years).

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial assets

(a) **Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 25 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Other gains/(losses) — net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other gains/(losses) — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains/(losses) — net" and impairment expenses are presented as a separate line item in the consolidated statements of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "Other gains/(losses) — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "Other gains/(losses) — net" in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(e) **Impairment**

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost, including loan receivables, trade receivables and other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables) on a forward-looking basis, and with the exposure arising from financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables) and loan receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.9 Inventories

Inventories, mainly consisting of raw materials, work in progress and finished goods, are stated at the lower of cost and net realizable value. Cost comprises amounts related to direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore all classified as current.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are disclosed in Note 2.8.

2.11 Loan receivables

Loan receivables held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the assets and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.17 Financial guarantee contract

Financial guarantee contract is recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 - Financial Instruments, and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 - Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2.18 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company and its subsidiaries, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) **Deferred income tax**

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable profit will be available to utilize those temporary differences and losses.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.20 Employee benefits

(a) **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) **Pension obligations**

The Group's subsidiaries operating in Mainland China have to make contribution to staff retirement scheme managed by local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated statements of comprehensive income as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

The Group participates a Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Group and the employees are required to contribute to the scheme monthly. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to the MPF Scheme are expensed as incurred.

(c) **Housing funds, medical insurances and other social insurances**

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) **Employee leave entitlements**

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(e) **Bonus plans**

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(f) **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.21 Share-based payment

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (restricted shares units ("RSUs") and options) of the Company.

The fair value of the services received in exchange for the grant of the equity instruments (RSUs and options) is recognized as an expense in the consolidated statements of comprehensive income with a corresponding increase in equity.

In terms of the RSUs and options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs and options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-marketing performance and service conditions are included in calculation of the number of RSUs and options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of RSUs and options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2.22 Earnings per share

(a) **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue recognition

The Group principally derives revenue from sales of products and provision of promotion services.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes. The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

(a) **Product sales**

The Group recognizes product revenue at the point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the product has been transferred to the customer. The Group recognizes product revenue from selling its proprietary product, Zadaxin, at the shipping point and recognizes product revenue from selling promotion products for business partners and in-licensed products when the products have been delivered to the customers.

The Group's contractual arrangement with its exclusive China importer and distributor for Zadaxin, contains variable considerations in connection with the price mechanism that if the provincial tender price is below or above a reference price (baseline price), the Group may owe price compensation payable to or is due price compensation receivable from the distributor. The provincial tender price is the ultimate end-point sales price approved by provincial authorities in China. The Group estimates the variable consideration using the expected value method and takes into consideration the tender price as at the report date as well as the recent market trend. The variable consideration (whether price compensation payable or receivable), under the principles of IFRS 15, is recognized at the time when the underlying originating sale is recognized.

(b) **Promotion service revenue**

The Group generated promotion service revenue from the provision of promotion services to customers. The Group recognizes promotion services revenue for designated pharmaceutical products over time in the period in which its customers simultaneously receive and consume the benefits provided by the promotion and marketing services as specified in promotion service contract.

2.25 Leases

The Group leases office and buildings as lessee. Rental contracts are typically made for fixed periods of 1 to 5 years with no extension option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate

- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and leases with a remaining term of 12 months or less as of the date of initial adoption of IFRS 16.

The right-of-use assets and the lease liabilities are present separately on the consolidated balance sheets.

Lease transaction is considered as a single transaction in which the asset and liability are integrally linked, there is no net temporary difference recognition at inception. Subsequently, as differences arise on settlement of the liability and the amortization of the leased asset, there will be a net temporary difference on which deferred tax is recognized. The Group's deferred tax balances related to lease transactions were minimal as at December 31, 2017, 2018 and 2019 and September 30, 2020.

2.26 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all required conditions.

Government grants related to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants related to PP&E are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in the consolidated statements of comprehensive income as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance of the Group.

(a) **Market risk**

(i) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, USD. The Group's subsidiaries in the Cayman Islands and Hong Kong are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. Foreign exchange risk primarily arose from recognized assets and liabilities in the Company's subsidiaries incorporated in the Cayman Islands when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to business partners.

For the Group's subsidiaries whose functional currency is USD, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the impacts on the profit before income tax for the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019 and 2020 would have been approximately RMB26,227,000, RMB27,951,000, RMB20,533,000, RMB37,970,000 and RMB16,699,000 higher/lower, respectively, mainly as a result of net foreign exchange gains or losses on translation of net monetary assets denominated in RMB.

(ii) Interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained in June 2020 (Note 30) at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

If the interest rate of borrowings with floating rate had been 50 basis points higher/lower, the profit before income tax for nine months ended September 30, 2020 would have been approximately RMB2,975,000 lower/higher. There existed no borrowing with floating rate for the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019.

(b) **Credit risk**

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables, other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables), loan receivables and financial guarantee contracts. The carrying amounts of cash and cash equivalents, trade receivables, other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables), loan receivables and financial guarantee contracts represent the Group's maximum exposure to credit risk in relation to financial assets. The Group did not record any significant credit losses during the Track Record Period.

(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk arising from cash and cash equivalents and restricted cash, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivable has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of at least 24 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, or significant adverse changes in the market environment, including, among others, the economic impact of the unprecedented COVID-19 on the customers.

The expected credit loss was minimal at December 31, 2017, 2018 and 2019 and September 30, 2020 as the trade receivables were considered to be of low credit risk.

As at December 31, 2017 and 2018, approximately 90% and 93% of the Group's trade receivables were due from a customer ("Customer A"), a subsidiary of a sizable state-owned pharmaceutical product distributor. As at December 31, 2019 and September 30, 2020, approximately 80% and 81% of the Group's trade receivables were due from another customer ("Customer B"), a fellow subsidiary of Customer A. The credit period granted to the Group's customers is usually no more than 90 days and the credit quality of these customers is assessed based on the financial positions of the customers, past experience and other factors. In view of the sound collection history of receivables due from the customers, management believes that the credit risk inherent in the Group's outstanding trade receivables balances due from the customers is not significant. In addition, there was no unfavorable current conditions and forecast of future economic conditions as at December 31, 2017, 2018 and 2019. The Group considered the impact of COVID-19, incorporated related forward-looking factors to measure expected credit losses, and determined that the expected credit loss remained to be minimal as at September 30, 2020.

The following table summarized customers with balances greater than 10% of trade receivables:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
Customer A	90%	93%	—	—
Customer B	—	—	80%	81%

(iii) Credit risk of other receivables

Other receivables mainly comprise receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables. The Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counter party;
- significant changes in the expected performance and behavior of the counter party, including changes in the payment status of the counter party.

As at December 31, 2017, 2018 and 2019 and September 30, 2020, there was no significant increase in credit risk since initial recognition. The Group assessed that the expected credit losses for these receivables within the next 12 months are not material.

The following table summarized third parties with balances greater than 10% of other current assets:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
Company C	54%	14%	41%	11%
Company D	30%	79%	50%	16%
Company E	—	—	—	68%

(iv) Credit risk of loan receivables

The Group implemented expected credit loss model for loan receivables as summarized below:

- The loan receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The Group had loan receivables with the amount of RMB78,334,000 as at December 31, 2017 (Note 20), all of these loan receivables were collected in 2018 and the Group had no outstanding loan receivables as at December 31, 2018 and 2019 and September 30, 2020. As at December 31, 2017, there was no significant increase in credit risk since initial recognition. The Group assessed that the expected credit losses for loan receivables within the next 12 months were not material.

(v) Credit risk of financial guarantee arrangement

For the financial guarantee arrangement, the Group has taken measures to manage credit risk, including credit examination, fraud examination and risk monitoring alert. The maximum credit risk from financial guarantee contracts is USD176 million (equivalent to RMB1,150,019,000), USD132 million (equivalent to RMB905,942,000), USD300 million (equivalent to

RMB2,092,860,000) and nil as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively (Note 35 (b)(iv)). Based on the financial conditions of the guarantee, the Group assessed that the credit risk in relation to the financial guarantee arrangement since initial recognition was minimal and therefore, the expected credit losses within the next 12 months were not material during the Track Record Period.

(c) **Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through adequate committed credit facilities. The Group's primary cash requirements are for payments for acquisition of license arrangements, purchases of inventories, payments for operating expenses, capital injections into subsidiaries, and unexpected cash outflow due to other unforeseen crisis.

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The cash and cash equivalents, trade receivables and other current assets (excluding prepayments) held by the Group are expected to readily generate cash inflows for managing liquidity risk.

At December 31, 2017, 2018, and 2019 and September 30, 2020, the Group had net current assets of RMB698,451,000, RMB825,515,000, RMB1,265,417,000 and RMB1,028,475,000, respectively. With the consideration of anticipated operation cash inflows, and the ability of adjusting the pace of its operation expansion and expenditures, the directors are of the opinion that the Group has sufficient cash flows in the near future to manage the liquidity risks.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheets date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2017					
Trade and other payables (excluding salaries and bonus payables)	108,617	—	—	—	108,617
Lease liabilities	19,412	13,446	7,392	—	40,250
	128,029	13,446	7,392	—	148,867
At December 31, 2018					
Trade and other payables (excluding salaries and bonus payables)	110,099	—	—	—	110,099
Lease liabilities	22,632	16,048	2,431	—	41,111
	132,731	16,048	2,431	—	151,210
At December 31, 2019					
Trade and other payables (excluding salaries and bonus payables)	159,083	—	—	—	159,083
Lease liabilities	19,820	5,542	2,017	—	27,379
	178,903	5,542	2,017	—	186,462
At September 30, 2020					
Trade and other payables (excluding salaries and bonus payables)	443,690	—	—	—	443,690
Borrowings	469,677	456,918	1,305,137	—	2,231,732
Lease liabilities	9,052	2,843	381	—	12,276
	922,419	459,761	1,305,518	—	2,687,698

As at December 31, 2017, 2018 and 2019 and September 30, 2020, the Group did not have derivative financial liability.

4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers its capital structure as the aggregate of total equity and long-term debt less cash and cash equivalents. The Group manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the directors intend to pursue in addition to maximizing the return to shareholders. The directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Group will spend its existing working capital and raise additional amounts as needed. The Group reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

5 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as at December 31, 2017, 2018 and 2019 and September 30, 2020:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2017				
Financial assets at FVPL — Current_money market funds (Note 26)	129,488	—	—	129,488
Financial assets at FVOCI — Non-Current_equity investments (Note 26)	—	—	17,538	17,538
Financial assets at FVPL — Non-Current_ equity investments (Note 26)	5,120	—	—	5,120
	134,608	—	17,538	152,146
As at December 31, 2018				
Financial assets at FVPL — Current_money market funds (Note 26)	8,698	—	—	8,698
Financial assets at FVOCI — Non-Current_equity investments (Note 26)	—	—	19,285	19,285
Financial assets at FVPL — Non-Current_ equity investments (Note 26)	2,084	—	—	2,084
Financial assets at FVPL — Non-Current_ debt investments (Note 26)	—	—	13,787	13,787
	10,782	—	33,072	43,854
As at December 31, 2019				
Financial assets at FVPL — Current_money market funds (Note 26)	3,397	—	—	3,397
Financial assets at FVPL — Current_structured deposits (Note 26)	—	120,364	—	120,364
Financial assets at FVOCI — Non-current_equity investments (Note 26)	—	—	37,491	37,491
Financial assets at FVPL — Non-Current_ equity investments (Note 26)	3,571	—	—	3,571
Financial assets at FVPL — Non-Current_ debt investments (Note 26)	—	—	21,400	21,400
	6,968	120,364	58,891	186,223
As at September 30, 2020				
Financial assets at FVPL — Current_structured deposits (Note 26)	—	100,102	—	100,102
Financial assets at FVOCI — Non-Current_equity investments (Note 26)	118,309	—	47,671	165,980
Financial assets at FVPL — Non-Current_ equity investments (Note 26)	4,302	—	—	4,302
Financial assets at FVPL — Non-Current_ debt investments (Note 26)	—	—	20,907	20,907
	122,611	100,102	68,578	291,291

(a) **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

(c) **Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate and expected volatility, etc.

Level 3 instruments of the Group's assets and liabilities include long-term equity and debt investments measured at FVPL and long-term equity investment measured at FVOCI (Note 26).

The following table presents the changes in level 3 instruments of long-term debt investments measured at FVPL for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At beginning of the year/period	—	—	13,787	13,787	21,400
Addition	—	13,726	6,976	—	—
Changes in fair value	—	61	405	192	14
Exchange differences	—	—	232	428	(507)
At the end of the year/period	—	13,787	21,400	14,407	20,907

The following table presents the changes in level 3 instruments of equity investment measured at FVOCI for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At beginning of the year/period	14,592	17,538	19,285	19,285	37,491
Addition	—	—	—	—	49,557
Transfer to Level 1	—	—	—	—	(68,017)
Changes in fair value	3,914	835	17,679	17,554	29,300
Exchange differences	(968)	912	527	1,154	(660)
At the end of the year/period	17,538	19,285	37,491	37,993	47,671

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts are involved when necessary.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019. Financial instruments with the amount of USD9,566,000 (equivalent to RMB68,017,000) was transferred from level 3 to level 1 upon the public listing of the corresponding investee during the nine months ended September 30, 2020.

The valuation of the level 3 instruments mainly included long-term debt investments measured at FVPL in unlisted companies (Note 26), short-term investments measured at FVPL (Note 26) and equity investments measured at FVOCI (Note 26). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows approach etc.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at				Unobservable inputs	Range of inputs				Relationship of unobservable inputs to fair value
	December 31,			September 30,		December 31,			September 30,	
	2017	2018	2019	2020		2017	2018	2019	2020	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*						
Debt investments measured at FVPL	—	13,787	21,400	20,907	Expected volatility	N/A	47.1%	46.5%	54.5%	The higher the expected volatility, the lower the fair value
Equity investments measured at FVOCI	17,538	19,285	37,491	47,671	Expected volatility	46.0%	43.5%	50.0%	N/A	The higher the expected volatility, the higher the fair value

If the expected volatility had decreased/increased by 5% with all other variables held constant, the fair value of debt investments measured at FVPL would have been increased/decreased by approximately nil, RMB179,000, RMB165,000 and RMB182,000 as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

If the expected volatility had decreased/increased by 5% with all other variables held constant, the fair value of equity investments measured at FVOCI would have been decreased/increased by approximately RMB155,000, RMB93,000, RMB14,000 and nil as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively.

If the fair values of the long-term investments measured at FVPL held by the Group had been 10% higher/lower, the profit before income tax for the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020 would have been approximately nil, RMB1,379,000, RMB2,140,000 and RMB2,091,000, respectively.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, trade receivables, other current assets (excluding prepayments), other assets (excluding prepayments and tax receivables) and the Group's financial liabilities that are not measured at fair value, including trade and other payables and lease liabilities approximate their fair values due to short maturities or the interest rates are close to the market interest rates.

6 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of measurement

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are disclosed in Note 5.

(b) Share-based compensation expenses

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

(c) R&D expenses

R&D expenditures incurred on the Group's R&D activities, including conducting pre-clinical studies and clinical trials, manufacturing development efforts and activities related to regulatory filings for the Group's drug candidates, are capitalized as intangible asset only when the Group can demonstrate i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, ii) the Group's intention to complete the intangible asset and use or sell it, iii) the Group's ability to use or sell the intangible asset, iv) how the intangible asset will generate probable future economic benefits, v) the Group's availability of adequate technical, financial and other resources to complete and vi) the ability to measure reliably the expenditure attributable to the intangible asset. Expenditures that do not meet these capitalization principles are recognized as R&D expenses. During all periods presented, the Group's R&D expenditures incurred did not meet these capitalization principles for any products and were expensed as incurred.

Payments made to third parties to in-license or acquire intellectual property rights, compounds and products, including initial upfront and subsequent milestone payments, are capitalized, unless these payments are for outsourced R&D work which follow the capitalization principle in the preceding paragraph.

(d) **Useful lives of intangible assets**

The Group's finite life intangible assets generated from its in-license arrangements are amortized on a straight-line basis over their useful economic lives, which are estimated to be the period of the in-license arrangement. If the Group's estimate of the duration of sale of product is shorter than the arrangement period, then the shorter period is used. Additional amortization is recognized if the estimated useful economic lives are different from the previous estimation. Useful lives are reviewed at the end of the year based on changes in circumstances.

(e) **Current and deferred income taxes**

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(f) **Variable arrangement in contract with customers**

When the consideration in a contract with customers 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

7 Segment information

The chief operating decision-maker has been identified as the executive directors of the Group, who reviews the Group's consolidated results as a whole when making decisions about allocating resources and assessing performance. Therefore, it is determined that the Group's operations represent a single operating segment.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, the geographical information on the total revenues is as follows:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Mainland China	1,141,200	94	1,306,123	93	1,611,835	94	1,228,706	95	1,501,932	95
Others	71,766	6	102,746	7	96,233	6	62,065	5	82,241	5
	1,212,966		1,408,869		1,708,068		1,290,771		1,584,173	

The total of non-current assets other than financial instruments, broken down by location of the assets, are shown as follows:

	As at December 31,						As at September 30,	
	2017		2018		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	15,222	8	25,415	13	23,035	11	21,470	4
Others	165,305	92	176,527	87	184,876	89	562,816	96
	180,527		201,942		207,911		584,286	

The customers which contributed over 10% of the total revenue of the Group for the years ended December 31, 2017, 2018, and 2019 and the nine months ended September 30, 2019 and 2020 are listed as below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	%	*%*	*%*	*%*	*%*
				(Unaudited)	
Customer A*	88%	78%	—	—	—
Customer B*	—	—	72%	73%	80%

* Customer A and Customer B are fellow subsidiaries under common control.

8 Revenue

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Recognized at a point in time					
— Product sales	1,185,143	1,406,215	1,708,068	1,290,771	1,584,173
Recognized over time					
— Promotion service revenue (a)	27,823	2,654	—	—	—
	1,212,966	1,408,869	1,708,068	1,290,771	1,584,173

(a) Prior to 2018, the Group provided promotion services to Baxter, a business partner of the Group, and recorded the promotion service income as revenue. From 2018, the Group adjusted the business model, in addition to the provision of promotion services, the Group has also been engaging in the sales of the promotion products of Baxter, and the remuneration for the promotion services rendered by the Group is reflected as an adjustment to the cost of revenue from the promotion products for Baxter, rather than being presented as promotion service revenue.

9 Other income and other expenses

(i) Other income

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Government grants (a)	7,289	8,342	6,795	6,755	9,754
Licensing income (b)	—	—	—	—	55,870
Refund of upfront payment (c)	—	25,177	—	—	—
Interest income from loan receivables (Note 20)	6,024	3,566	—	—	—
	13,313	37,085	6,795	6,755	65,624

(ii) Other expenses

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Amortization of intangible assets associated with licensing (b)	—	—	—	—	55,310

(a) Government grants are all income related and there exist no unfulfilled conditions or other contingencies attaching to these government grants.

(b) In February 2020, the Group entered into several agreements with Novartis AG and Novartis Pharma AG (collectively "Novartis") to purchase all of the rights, title and interests in, to and under the assets of (i) marketing authorization, including but not limited to the import drug license ("IDL") of Zometa product in the PRC and (ii) trademarks, domain names, commercial information, medical information, records and marketing authorization data, in each case relating solely and exclusively to Zometa product in the PRC, from Novartis. The total purchase consideration of USD60,000,000 (equivalent to RMB424,770,000) was recorded as intangible assets and amortized over 5 years on a straight-line basis from February 2020. The related amortization expense of RMB55,310,000 was recognized in the profit and loss for the nine months ended September 30, 2020. As at September 30, 2020, the outstanding payable of the purchase consideration was US$25,000,000 (equivalent to RMB170,253,000) (Note 28).

Prior to the Group obtains the IDL of Zometa product in the PRC, as a transitional arrangement, it was agreed that Novartis would continue to sell Zometa product in the PRC and pay the profit of the sales to the Group during the period from February 24, 2020 until the earlier of (a) the date of obtaining the IDL for Zometa product in the PRC by the Group and (b) one year from February 24, 2020. The profit to be paid by Novartis to the Group is recorded as licensing income in "Other income". For the nine months ended September 30, 2020, the Group recognized the licensing income with an amount of RMB55,870,000.

(c) In 2013, the Group made upfront payment of USD3,500,000 to Zensun (Shanghai) Science & Technology Co., Ltd. ("Zensun"), a licensing partner of the Group. Intangible assets associated with the upfront payment were fully impaired prior to 2017 as a result of expected failure of the drug candidate. In 2018, the Group terminated the collaboration and Zensun refunded all the upfront payment in cash to the Group. The refund of the upfront payment with the amount of RMB23,218,000 was recorded as "Other income" in the Group's consolidated statements of comprehensive income for the year ended December 31, 2018.

10 Other gains/(losses) — net

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Gain on sales of raw materials	—	—	2,206	2,193	—
Loss on disposal of PPE and software	(52)	(93)	(192)	(192)	(107)
Change in fair value of financial assets at FVPL — money market funds	758	145	94	84	6
Change in fair value of financial assets at FVPL — equity investments	(70)	(3,294)	1,458	218	839
Change in fair value of financial assets at FVPL — structured deposits	—	—	1,954	1,041	2,022
Change in fair value of financial assets at FVPL — debt investments	—	61	405	192	14
Net foreign exchange gains/(losses)	25,825	(35,727)	(10,883)	(20,762)	4,495
Others	(2)	309	(170)	(309)	710
	26,459	(38,599)	(5,128)	(17,535)	7,979

11 Finance income/(cost), net

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest income from bank deposits	1,498	2,659	12,171	8,211	9,189
Finance income	1,498	2,659	12,171	8,211	9,189
Interest expenses on borrowings	—	—	—	—	(16,586)
Interest expenses on lease liabilities (Note 17)	(1,744)	(1,742)	(1,189)	(1,101)	(795)
Finance costs	(1,744)	(1,742)	(1,189)	(1,101)	(17,381)
Finance income/(cost), net	(246)	917	10,982	7,110	(8,192)

12 Expenses by nature

		Year ended December 31,			Nine months ended September 30,	
	Notes	2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Changes in inventories of finished goods and work in process		(24,688)	26,057	(6,102)	4,317	10,322
Raw materials and trading merchandise consumed		171,597	235,505	328,653	243,184	277,928
Write-downs of inventories	21	1,685	—	93	93	112
Transportation expense		14,016	19,886	28,416	20,655	30,624
Employee benefit expenses	13	361,617	280,294	330,894	241,609	266,270
Amortization of right-of-use assets	17	24,841	24,716	22,895	17,211	16,895
Depreciation of property, plant and equipment	18	8,472	8,793	6,265	5,058	6,156
Amortization of intangible assets	19	1,602	2,320	7,213	4,736	63,013
Market development and business promotion expenses		126,260	135,633	157,749	99,388	81,682
Professional service fees		119,090	34,842	17,139	12,462	22,098
Testing and clinical trial fees for R&D		57,053	44,238	45,380	28,656	17,308
Travel and meeting expenses		54,140	46,662	59,751	40,954	25,939
Utilities and office expense		15,112	12,683	10,864	5,894	6,483
Auditors' remuneration		12,202	3,741	3,146	2,360	177
Listing expense		—	—	—	—	23,400
Impairment losses of intangible assets	19	—	—	—	—	20,968
Others		48,979	37,629	47,190	33,599	25,388
		991,978	912,999	1,059,546	760,176	894,763

13 Employee benefit expenses

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Wages, salaries, bonuses	260,261	225,096	249,426	182,107	203,020
Share-based payments (Note 27)	54,598	7,592	34,041	25,646	41,164
Contributions to pension plans (a)	26,308	28,975	24,831	18,282	2,096
Housing funds, medical insurance and other social welfare contributions (b)	20,450	18,631	22,596	15,574	19,990
	361,617	280,294	330,894	241,609	266,270

(a) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 16% to 20% of such relevant income, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The local governments in the PRC exempt the Group's portion of contribution on the post-retirement benefits during the period from February to

December 2020 in view of COVID-19 Pandemic. During the nine months ended September 30, 2020, the exempted post-retirement benefits were RMB18,594,000.

(b) Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance, unemployment insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 21% to 24% of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. The local governments in the PRC exempt the Group's portion of contribution on the medical insurance and unemployment insurance during the period from February to December 2020 in view of COVID-19 Pandemic. During the nine months ended September 30, 2020, the exempted medical insurance and unemployment insurance were RMB1,716,000.

(c) Benefits and interests of directors

— Directors' emoluments

The remuneration of each director of the Company paid/payable by the Group for the year ended December 31, 2017 are set out as follows:

	Wages, salaries, bonuses	Pension costs-defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discreti-onary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2017								
Executive Director								
Mr. ZHAO Hong (i)	6,329	—	88	112	—	—	6,492	13,021
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the year ended December 31, 2018 are set out as follows:

	Wages, salaries, bonuses	Pension costs- defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discreti- onary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2018								
Executive Director								
Mr. ZHAO Hong (i)	5,386	—	95	129	—	—	2,080	7,690
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the year ended December 31, 2019 are set out as follows:

	Wages, salaries, bonuses	Pension costs- defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discreti- onary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2019								
Executive **Director**								
Mr. ZHAO Hong (i)	6,145	—	100	130	—	—	8,152	14,527
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the nine months ended September 30, 2020 are set out as follows:

	Wages, salaries, bonuses	Pension costs-defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discreti-onary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the nine months ended September 30, 2020								
Executive **Director**								
Mr. ZHAO Hong (i)	5,537	—	38	109	—	—	12,061	17,745
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the nine months ended September 30, 2019 are set out as follows:

	Wages, salaries, bonuses	Pension costs- defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discreti- onary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the nine months ended September 30, 2019 (Unaudited)								
Executive **Director**								
Mr. ZHAO Hong (i)	4,609	—	75	97	—	—	6,975	11,756
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

(i) Mr. ZHAO Hong was appointed as the executive director of the Company on June 24, 2020.

(ii) Ms. CHOU Hui Hu was appointed as a non-executive director of the Company on May 13, 2020 and resigned on June 24, 2020.

(iii) Mr. LI Zhenfu, Mr. CEN Shi, Ms. WANG Xiaozhuo and Ms. LI Quan were appointed as non-executive directors of the Company on June 24, 2020.

(iv) Mr. VASELLA Daniel Luzius and Mr. BRANDGAARD Jesper were appointed as non-executive directors of the Company on August 27, 2020.

(v) Ms. LIN Shirley Yi- Hsien and Ms. JIN Lihua were appointed as non-executive directors of the Company on June 24, 2020 and resigned on August 26, 2020.

(vi) Mr. GU Alex Yushao, Mr. CHEN Ping, Mr. LIU Guoen and Ms. HAYES Wendy were appointed as independent non-executive directors of the Company on August 27, 2020.

— Directors' retirement benefits and termination benefits

None of the directors received or receive any retirement benefits or termination benefits during the Track Record Period.

— Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

— Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and controlled entities with such directors

As at December 31, 2017, 2018 and 2019 and September 30, 2020, there are no loans, quasi-loans and other dealings arrangement in favor of directors, controlled bodies corporate by and controlled entities with such directors.

— Directors' material interest in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the Track Record Period.

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Track Record Period include one director whose emoluments are reflected in the analysis above. The emoluments payable to the remaining four individuals during the Track Record Period are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries, bonuses	44,252	13,731	11,272	8,474	10,385
Share-based payments (Note 27)	22,641	826	6,244	4,629	5,646
Housing funds, medical insurance and other social welfare contributions	303	272	427	279	250
Other employee benefits	—	51	674	498	542
	67,196	**14,880**	**18,617**	**13,880**	**16,823**

Excluding the director, the number of highest paid individuals whose remunerations for each year fell within the following band is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(Unaudited)	
Emolument band					
Nil to RMB5,000,000	—	3	3	4	4
RMB5,000,000 to RMB10,000,000	2	1	1	—	—
RMB10,000,000 to RMB35,000,000	2	—	—	—	—

14 Income tax expense/(credit)

The income tax expense/(credit) of the Group for the Track Record Period are analyzed as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Current income tax	240,831	(41,772)	45,265	38,320	63,016
Deferred income tax	101	1,963	1,302	1,427	2,049
Income tax expense /(credit)	240,932	(39,809)	46,567	39,747	65,065

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the entities comprising the Group as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Profit before income tax	260,514	495,273	661,171	526,925	754,821
Calculated at applicable tax rate (a)	3,284	10,325	40,919	37,778	62,346
PRC withholding tax (b)	101	1,963	1,302	1,427	2,049
Expenses not deductible for income tax purposes (d)	26,818	13,821	14,398	10,118	2,834
U.S. tax reform (c)	216,734	(60,288)	—	—	—
Tax losses for which no deferred income tax assets was recognized	3,116	855	606	874	1,198
Utilization of previously unrecognized tax losses	(2,100)	—	(8,866)	(8,036)	(256)
Over provision in prior years	(7,021)	(6,485)	(1,792)	(2,414)	(3,106)
Income tax expense	240,932	(39,809)	46,567	39,747	65,065

(a) Current income tax

The income tax provision of the Group in respect of its operations in Mainland China was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.

The Company and some of its subsidiaries are incorporated in the Cayman Islands as exempted companies with limited liability under the Companies Act of the Cayman Islands and accordingly, are exempted from Cayman Islands income tax.

Entities incorporated in Hong Kong are subject to Hong Kong profits tax of which the tax rate was 16.5% up to April 1, 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits in the first HKD 2 million and 16.5% for any assessable profits in excess.

(b) **PRC withholding tax**

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 5% or 10% withholding income tax, depending on the country incorporation of the foreign investors. The Group has recognized deferred tax liabilities at 5% withholding tax rate for undistributed profits of its subsidiaries in the PRC in accordance with the double taxation treaty arrangement between the PRC and Hong Kong (Note 31).

(c) **U.S. Tax Reform**

On December 22, 2017, the United States enacted the 2017 Tax Cuts and Jobs Act (the "2017 Tax Act") that included major provisions (1) imposing a repatriation tax on accumulated earnings of foreign subsidiaries, (2) implementing prospectively a territorial tax system together with certain current taxes on foreign earnings, and (3) lowering, with effect from January 1, 2018, the general corporate income tax rate to 21%.

The repatriation tax is based primarily on the accumulated foreign earnings and profits ("E&P") of the subsidiaries of SPI, a U.S. incorporated entity, excluding amounts for which taxes were previously recognized, such as for dividend distributions from SPIL, a subsidiary of SPI. The repatriation tax is assessed regardless of whether the earnings are repatriated to a U.S. shareholder, and the undistributed foreign E&P was included proportionately in the U.S. shareholder' gross income in its tax year that began before January 1, 2018. The Group accrued an overall amount of USD33,984,000 (equivalent to RMB216,734,000) for the repatriation tax and charged it as a current income tax expense in the year ended December 31, 2017.

In 2018, the Group reassessed the above tax accrual for the repatriation tax made in 2017 based on the clarification on its R&D credits and orphan drug credits from the tax authorities and the amended returns filed in 2018. An over accrual of USD11,377,000 (equivalent to RMB75,473,000) was noted and reversed in the year ended December 31, 2018.

In addition, the 2017 Tax Act included a new provision designed to tax global intangible low-taxed income ("GILTI") earned by foreign subsidiaries beginning after December 31, 2017. The GILTI tax imposes a current tax on foreign income of the subsidiaries of SPI, in excess of a deemed return on tangible assets of the foreign subsidiaries. Accordingly, the Group made a provision for GILTI with an amount of USD2,289,000 (equivalent to RMB15,185,000) in the year ended December 31, 2018.

(d) **Expenses not deductible for income tax purposes**

The Group's non-deductible expenses during the Track Record Period mainly represented (i) non-deductible transaction costs incurred in relation to the Privatization pursuant to the income tax rules and regulations of the United States; and (ii) non-deductible meals and entertainment expenses pursuant to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China.

15 Earnings per share

(a) Basic earnings per share for the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue. In determining the weighted average number of ordinary shares deemed to be in issue during the Track Record Period, 543,135,510 ordinary shares, being the number of issued ordinary shares of the Company upon completion of the Reorganization, were deemed to have been issued and allocated on January 1, 2017 as if the Company has been incorporated by then.

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period attributable to owners of the Company	19,582	535,082	614,604	487,178	689,756
Weighted average number of ordinary shares in issue (thousand shares)	543,136	543,136	543,136	543,136	545,557
Basic earnings per share (expressed in RMB per share)	0.04	0.99	1.13	0.90	1.26

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assumed conversion of all dilutive potential ordinary shares. Because the Company had no diluted instruments outstanding, diluted earnings per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 were same as basic earnings per share of respective years/period. For the nine months ended September 30, 2020, diluted earnings per share was calculated by considering the ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method).

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period attributable to owners of the Company	19,582	535,082	614,604	487,178	689,756
Weighted average number of ordinary shares in issue (thousand shares)	543,136	543,136	543,136	543,136	545,557
Diluted impact of share option	—	—	—	—	5,271
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	543,136	543,136	543,136	543,136	550,828
Diluted earnings per share	0.04	0.99	1.13	0.90	1.25

16 Dividends

No dividend has been paid or declared by the Company since its incorporation and up to September 30, 2020.

Dividends during the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 represented dividends declared by SPI and the companies now comprising the Group to the then owners of the companies for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, after eliminating intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Dividends payable at beginning of the year/period	—	—	—	—	—
Declaration of dividends during the year/period	—	563,419	211,596	—	2,230,394
Dividends paid during the year/period	—	(563,419)	(211,596)	—	(2,173,758)
Exchange differences	—	—	—	—	(2,155)
Dividends payable at end of the year/period	—	—	—	—	54,481

17 Right-of-use assets

	Leased Properties
	RMB'000
At January 1, 2017	
Cost	86,223
Accumulated amortization	(32,919)
Net book amount	53,304
Year ended December 31, 2017	
Opening net book amount	53,304
Exchange differences	(2,921)
Additions	12,952
Amortization charge	(24,841)
Closing net book amount	38,494
At December 31, 2017	
Cost	93,700
Accumulated amortization	(55,206)
Net book amount	38,494
Year ended December 31, 2018	
Opening net book amount	38,494
Exchange differences	1,965
Additions	23,382
Amortization charge	(24,716)
Closing net book amount	39,125
At December 31, 2018	
Cost	120,175
Accumulated amortization	(81,050)
Net book amount	39,125

	Leased Properties
	RMB'000
Year ended December 31, 2019	
Opening net book amount	39,125
Exchange differences	613
Additions	9,239
Amortization charge	(22,895)
Closing net book amount	26,082
At December 31, 2019	
Cost	88,253
Accumulated amortization	(62,171)
Net book amount	26,082
Nine months ended September 30, 2020	
Opening net book amount	26,082
Exchange differences	(776)
Additions	3,008
Amortization charge	(16,895)
Closing net book amount	11,419
At September 30, 2020	
Cost	84,474
Accumulated amortization	(73,055)
Net book amount	11,419
(Unaudited)	
At January 1, 2019	
Cost	120,175
Accumulated amortization	(81,050)
Net book amount	39,125
Nine months ended September 30, 2019	
Opening net book amount	39,125
Exchange differences	926
Additions	3,378
Amortization charge	(17,211)
Closing net book amount	26,218
At September 30, 2019	
Cost	82,392
Accumulated amortization	(56,174)
Net book amount	26,218

The consolidated statements of comprehensive income and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Amortization of right-of-use assets	24,841	24,716	22,895	17,211	16,895
Interest expenses	1,744	1,742	1,189	1,101	795
Expenses relating to short-term leases	102	136	149	147	43
Cash outflow for leases as operating activities	(1,846)	(1,878)	(1,338)	(1,248)	(838)
Cash outflow for leases as financing activities	(23,948)	(24,557)	(22,993)	(17,345)	(16,937)

18 Property, plant and equipment

	Office furniture and equipment	Vehicle	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2017				
Cost	33,205	564	10,494	44,263
Accumulated depreciation	(25,943)	(12)	(6,084)	(32,039)
Net book amount	7,262	552	4,410	12,224
Year ended December 31, 2017				
Opening net book amount	7,262	552	4,410	12,224
Exchange differences	(422)	(32)	(256)	(710)
Additions	3,813	—	2,480	6,293
Disposals	(49)	(3)	—	(52)
Depreciation charge	(6,422)	(141)	(1,909)	(8,472)
Closing net book amount	4,182	376	4,725	9,283
At December 31, 2017				
Cost	33,358	528	12,365	46,251
Accumulated depreciation	(29,176)	(152)	(7,640)	(36,968)
Net book amount	4,182	376	4,725	9,283
Year ended December 31, 2018				
Opening net book amount	4,182	376	4,725	9,283
Exchange differences	211	19	238	468
Additions	12,263	—	184	12,447
Disposals	(93)	—	—	(93)
Depreciation charge	(6,669)	(135)	(1,989)	(8,793)
Closing net book amount	9,894	260	3,158	13,312
At December 31, 2018				
Cost	49,188	559	13,240	62,987
Accumulated depreciation	(39,294)	(299)	(10,082)	(49,675)
Net book amount	9,894	260	3,158	13,312

	Office furniture and equipment	Vehicle	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019				
Opening net book amount	9,894	260	3,158	13,312
Exchange differences	163	4	52	219
Additions	1,947	—	—	1,947
Disposals	(192)	—	—	(192)
Depreciation charge	(4,214)	(140)	(1,911)	(6,265)
Closing net book amount	7,598	124	1,299	9,021
At December 31, 2019				
Cost	50,221	569	13,388	64,178
Accumulated depreciation	(42,623)	(445)	(12,089)	(55,157)
Net book amount	7,598	124	1,299	9,021
Nine months ended September 30, 2020				
Opening net book amount	7,598	124	1,299	9,021
Exchange differences	(132)	1	19	(112)
Additions	2,310	—	—	2,310
Disposals	(107)	—	—	(107)
Depreciation charge	(4,736)	(102)	(1,318)	(6,156)
Closing net book amount	4,933	23	—	4,956
At September 30, 2020				
Cost	43,726	561	2,751	47,038
Accumulated depreciation	(38,793)	(538)	(2,751)	(42,082)
Net book amount	4,933	23	—	4,956
Unaudited				
At January 1, 2019				
Cost	49,188	559	13,240	62,987
Accumulated depreciation	(39,294)	(299)	(10,082)	(49,675)
Net book amount	9,894	260	3,158	13,312
Nine months ended September 30, 2019				
Opening net book amount	9,894	260	3,158	13,312
Exchange differences	14	7	96	117
Additions	1,724	—	—	1,724
Disposal	(192)	—	—	(192)
Depreciation charge	(3,454)	(105)	(1,499)	(5,058)
Closing net book amount	7,986	162	1,755	9,903
At September 30, 2019				
Cost	50,172	555	13,563	64,290
Accumulated depreciation	(42,186)	(393)	(11,808)	(54,387)
Net book amount	7,986	162	1,755	9,903

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of revenue	1,580	3,693	5,200	4,092	3,821
Sales and marketing expenses	5,900	4,290	891	809	1,902
Administrative expenses	700	495	81	72	209
R&D expenses	292	315	93	85	224
	8,472	8,793	6,265	5,058	6,156

19 Intangible assets

	Licenses	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2017			
Cost	130,230	5,875	136,105
Accumulated amortization	—	(4,213)	(4,213)
Net book amount	130,230	1,662	131,892
Year ended December 31, 2017			
Opening net book amount	130,230	1,662	131,892
Exchange differences	(7,562)	(96)	(7,658)
Additions	—	4,435	4,435
Amortization charge	—	(1,602)	(1,602)
Closing net book amount	122,668	4,399	127,067
At December 31, 2017			
Cost	122,668	9,969	132,637
Accumulated amortization	—	(5,570)	(5,570)
Net book amount	122,668	4,399	127,067
Year ended December 31, 2018			
Opening net book amount	122,668	4,399	127,067
Exchange differences	6,176	221	6,397
Additions	8,579	3,745	12,324
Amortization charge	—	(2,320)	(2,320)
Closing net book amount	137,423	6,045	143,468
At December 31, 2018			
Cost	137,423	13,967	151,390
Accumulated amortization	—	(7,922)	(7,922)
Net book amount	137,423	6,045	143,468
Year ended December 31, 2019			
Opening net book amount	137,423	6,045	143,468
Exchange differences	2,201	100	2,301
Additions	30,695	—	30,695
Amortization charge	(5,240)	(1,973)	(7,213)
Closing net book amount	165,079	4,172	169,251

	Licenses	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At December 31, 2019			
Cost	170,381	12,981	183,362
Accumulated amortization	(5,302)	(8,809)	(14,111)
Net book amount	165,079	4,172	169,251
Nine months ended September 30, 2020			
Opening net book amount	165,079	4,172	169,251
Exchange differences	(2,280)	25	(2,255)
Additions(1)	483,517	1,379	484,896
Amortization charge	(61,291)	(1,722)	(63,013)
Impairment losses	(20,968)	—	(20,968)
Closing net book amount	564,057	3,854	567,911
At September 30, 2020			
Cost	649,842	14,360	664,202
Accumulated amortization	(65,355)	(10,506)	(75,861)
Impairment losses	(20,430)	—	(20,430)
Net book amount	564,057	3,854	567,911
(Unaudited)			
At January 1, 2019			
Cost	137,423	13,967	151,390
Accumulated amortization	—	(7,922)	(7,922)
Net book amount	137,423	6,045	143,468
Nine months ended September 30, 2019			
Opening net book amount	137,423	6,045	143,468
Exchange differences	4,520	101	4,621
Additions	30,695	—	30,695
Amortization charge	(3,255)	(1,481)	(4,736)
Closing net book amount	169,383	4,665	174,048
At September 30, 2019			
Cost	172,743	13,967	186,710
Accumulated amortization	(3,360)	(9,302)	(12,662)
Net book amount	169,383	4,665	174,048

(1) Addition of intangible assets in the nine months ended September 30, 2020 was primarily due to the Group's acquisition of the license of Zometa (Note (9)).

Amortization expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of revenue	—	—	5,240	3,255	5,981
Sales and marketing expenses	1,371	1,951	1,651	1,226	1,434
Administrative expenses	163	226	150	107	137
R&D expenses	68	143	172	148	151
Other expenses (Note 9)	—	—	—	—	55,310
	1,602	2,320	7,213	4,736	63,013

Impairment test

Intangible assets not yet available for use are tested annually based on the recoverable amount of the cash-generating unit ("CGU") to which the intangible asset is related. The appropriate CGU is at the product level. The annual impairment test is performed for each pipeline product by engaging an independent appraiser to estimate fair value less cost to sell as the recoverable amount of each pipeline product. The fair value is based on the multi-period excess earnings method and the Group estimated the forecast period till the year from 2030 to 2035 for its pipeline products based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each pipeline product. The estimated revenue of each pipeline product is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are post-tax and reflect general risks relating to the relevant products that would be considered by market participants.

The key assumptions used for recoverable amount calculations as at December 31, 2017, 2018 and 2019 are as follows:

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	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	18.2-80.7%	18.2-80.7%	18.2-80.7%
Recoverable amount (in RMB thousand)	20,714	29,490	45,707
Carrying amount (in RMB thousand)	16,335	24,021	24,417

ABTL-0812

	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	1.0-36.7%	1.0-36.7%	1.0-36.7%
Recoverable amount (in RMB thousand)	37,823	60,176	70,950
Carrying amount (in RMB thousand)	14,854	17,317	17,602

SGX-942

	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	0.7-63.1%	0.7-63.1%	0.7-63.1%
Recoverable amount (in RMB thousand)	70,953	83,723	98,823
Carrying amount (in RMB thousand)	19,603	20,590	20,929

Vibativ

	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	0.7-23.2%	0.7-23.2%	0.7-23.2%
Recoverable amount (in RMB thousand)	308,491	363,482	428,821
Carrying amount (in RMB thousand)	19,603	20,590	20,929

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	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	3.4-47.3%	3.4-47.3%	3.4-47.3%
Recoverable amount (in RMB thousand)	68,441	78,845	91,513
Carrying amount (in RMB thousand)	6,534	6,863	6,976

Angiomax

	As at December 31,		
	2017	2018	2019[1]
Discount rate	18%	18%	NA
Revenue growth rate	10.8-1111.9%	10.8-1111.9%	NA
Recoverable amount (in RMB thousand)	182,659	214,029	NA
Carrying amount (in RMB thousand)	45,739	48,042	NA

Note:

(1) Angiomax was approved by the National Medical Products Administration ("NMPA") for sales in China, became available for use and commenced amortization from 2019. The Group did not identify any indication that the intangible assets in relation to Angiomax would be impaired as at December 31, 2019.

(2) Discount rates represented our general business and market risk and were derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk and size premium. The discount rates applied as of December 31, 2017, 2018 and 2019 were around 18% as the input to the model in determining the discount rate remained similar.

(3) Revenue growth rates were based on the key inputs, such as the estimated market penetration rates and market sizes etc., of each intangible asset from the expected commercialization for each of the individual intangible asset of license not yet available for use. As there were no significant changes noted in above key inputs, the revenue growth rates estimated as of each Financial Reporting Date remained within the same range throughout the Track Record Period.

Based on the result of above assessment, there was no impairment for the intangible assets as at December 31, 2017, 2018 and 2019.

As at September 30, 2020, there was no impairment indicator for the above intangible assets except for SGX-942, the Group did not perform quantitative impairment test for the above intangible assets, as the Group's policy is to perform impairment test annually as at December 31, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with IAS 36 Impairment of Assets.

For SGX-942, it was reported that SGX-942 failed to achieve its Phase III clinical endpoint. As a result, the Group provided full impairment to related intangible assets with the amount of RMB20,968,000 (USD3 million) as at September 30, 2020. The impairment losses were recognized as administrative expenses in the consolidated statements of comprehensive income for the nine months ended September 30, 2020.

Impairment test—sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determining the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

PT-112

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Headroom	4,379	5,469	21,290
Impact by increasing discount rate	(2,601)	(2,862)	(4,095)
Impact by decreasing revenue growth rate	(1,189)	(1,407)	(2,184)

ABTL-0812

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	22,969	42,859	53,348
Impact by increasing discount rate	(3,973)	(5,696)	(6,174)
Impact by decreasing revenue growth rate	(1,562)	(2,416)	(2,853)

SGX-942

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	51,350	63,133	77,894
Impact by increasing discount rate	(6,469)	(6,987)	(7,478)
Impact by decreasing revenue growth rate	(2,522)	(2,979)	(3,516)

Vibativ

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	288,888	342,892	407,892
Impact by increasing discount rate	(23,647)	(25,037)	(26,161)
Impact by decreasing revenue growth rate	(12,350)	(14,571)	(17,196)

Oravig

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	61,907	71,982	84,537
Impact by increasing discount rate	(5,155)	(5,298)	(5,379)
Impact by decreasing revenue growth rate	(3,058)	(3,507)	(4,018)

Angiomax

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	136,920	165,987	NA
Impact by increasing discount rate	(14,120)	(14,962)	NA
Impact by decreasing revenue growth rate	(6,528)	(8,867)	NA

Considering there was still sufficient headroom based on the assessment, the Company believes that a reasonably possible change in any of the key assumptions, on which the Company has based its determination of each intangible asset's recoverable amount, would not cause its carrying amount to exceed its recoverable amount.

20 Other assets

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial instruments at amortized costs:				
— Loan receivable (a)	78,334	—	—	—
— Rental deposits	3,124	3,350	3,434	5,003
Others:				
— Long-term tax receivables	—	1,303	—	—
— Prepaid insurance	5,683	4,734	3,557	—
	87,141	9,387	6,991	5,003

(a) The Group provided loans to Zensun during the year from 2014 to 2015 which were pledged with Zensun's entire equity interests in one of its subsidiaries. These borrowings bore interest at a fixed rate of 7.5% per annum payable annually in arrears at each interest payment date.

In 2018, Zensun early repaid all of the outstanding secured loans to the Group. Interest income of the loans was RMB6,024,000 and RMB3,566,000 for the years ended December 31, 2017 and 2018, respectively, and was included in "Other income" in the consolidated statements of comprehensive income.

21 Inventories

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	42,523	68,501	57,290	51,362
Finished goods	95,743	73,757	82,493	72,472
Work in progress	5,529	3,143	416	3
	143,795	145,401	140,199	123,837

Write-downs of inventories were recognized for the amount by which the carrying amount of the inventories exceeds its net realizable value and was recorded in "cost of revenue" in the consolidated statements of comprehensive income. Write-downs of inventories were RMB1,685,000, nil, RMB93,000, RMB93,000 and RMB112,000 for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively.

22 Trade receivables

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	351,349	603,169	362,900	410,081
Less: allowance for impairment of trade receivables	—	—	—	—
Trade receivables — net	351,349	603,169	362,900	410,081

As at December 31, 2017, 2018 and 2019 and September 30, 2020, fair values of the trade receivables of the Group approximated their carrying amounts.

(a) Aging analysis of trade receivables based on the invoice date is as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	351,349	603,169	362,900	394,028
6 to 12 months	—	—	—	16,053
	351,349	603,169	362,900	410,081

The Group's trade receivables are generally collectible within 90 days from the invoice date. No interest is charged on the trade receivables.

(b) Trade receivables were denominated in following currencies:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	336,758	578,402	337,546	386,701
USD	13,391	23,719	24,069	22,749
HKD	1,200	1,048	1,285	631
	351,349	603,169	362,900	410,081

(c) The Group applies the IFRS 9 simplified approach to measuring expected credit losses of trade receivables, which requires expected lifetime losses to be recognized from initial recognition. The expected loss rates are based on the payment profiles of related customers and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at December 31, 2017, 2018 and 2019, the expected credit loss was minimal as these receivables had no history of default, most amount of trade receivables were subsequently settled, and there was no unfavorable current condition and forecast future economic condition identified. The Group considered the impact of COVID-19 and incorporated related forward-looking factors to measure expected credit losses as at September 30, 2020, and determined that the expected credit loss remained to be minimal as at September 30, 2020.

23 Other current assets

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial instruments at amortized costs:				
— Receivables from licensing income	—	—	—	43,198
— Purchase rebate receivables	12,735	10,261	16,120	16,834
— Rental deposits	2,473	775	1,254	1,098
— Interest receivables	—	—	207	2,126
Others:				
— Prepaid raw material costs	8,429	—	—	—
— Prepaid clinical trial fee	7,397	6,424	5,695	2,971
— Prepaid insurance	2,142	1,235	1,255	926
— Advance to employee	1,069	408	229	51
— Prepaid listing expenses	—	—	—	7,487
— Others	2,502	3,496	906	1,146
	36,747	22,599	25,666	75,837

As at December 31, 2017, 2018, 2019 and September 30, 2020, the carrying amounts of other current assets were primarily denominated in RMB and approximated their fair values at each of the reporting dates. Other receivables that are measured at amortized costs included receivables from licensing income, purchase rebate receivables from the suppliers, rental deposits and interest receivables were considered to be of low credit risk, and thus the impairment provision recognized during the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020 was limited to 12 months expected losses. The expected credit losses were minimal as these receivables had no history of default, certain amount of receivables were subsequently settled, and there was no unfavorable current conditions and forecast future economic conditions identified as at December 31, 2017, 2018 and 2019 and September 30, 2020.

24 Cash and cash equivalents and restricted cash

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in bank and in hand	481,629	275,962	919,490	1,322,220
Less: restricted cash[(a)]	—	—	—	(170,253)
Cash and cash equivalents	481,629	275,962	919,490	1,151,967

Denominated in:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	211,841	161,377	687,428	1,081,478
RMB	267,162	112,004	227,542	41,884
HKD	2,510	2,581	4,480	28,534
EUR	116	—	40	71
	481,629	275,962	919,490	1,151,967

(a) Restricted cash

As at September 30, 2020, the cash in bank and in hand balances disclosed above included a deposit of USD25,000,000 (equivalent to RMB170,253,000) for the bank guarantee provided for the Group's acquisition of intangible assets.

25 Financial instruments by category

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets as per consolidated balance sheet				
Financial assets at amortized costs:				
— Trade receivables	351,349	603,169	362,900	410,081
— Other current assets (excluding prepayments)	15,208	11,036	17,581	63,256
— Cash and cash equivalents	481,629	275,962	919,490	1,151,967
— Restricted cash	—	—	—	170,253
— Other assets (excluding prepayments and tax receivables)	81,458	3,350	3,434	5,003
Financial assets at FVOCI:				
— Long-term investments measured at FVOCI	17,538	19,285	37,491	165,980
Financial assets at FVPL:				
— Short-term investments measured at FVPL	129,488	8,698	123,761	100,102
— Long-term investments measured at FVPL	5,120	15,871	24,971	25,209
	1,081,790	937,371	1,489,628	2,091,851
Liabilities as per consolidated balance sheet				
Financial liabilities at amortized costs:				
— Trade and other payables (excluding salaries and bonus payables)	108,617	110,099	159,083	443,690
— Lease liabilities-current	19,140	22,206	19,466	8,895
— Lease liabilities-non-current	19,642	17,354	6,992	3,005
	147,399	149,659	185,541	455,590

26 Financial assets and investments

(a) Financial assets at FVPL

The financial assets at FVPL comprise the following investments:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
— Equity investments_Listed (i)	5,120	2,084	3,571	4,302
— Debt investments (ii)	—	13,787	21,400	20,907
	5,120	15,871	24,971	25,209
Current assets				
Short-term investments measured at FVPL (iii)				
— Money market funds	129,488	8,698	3,397	—
— Structured Deposits	—	—	120,364	100,102
	129,488	8,698	123,761	100,102

(b) Financial assets at FVOCI

The financial assets at FVOCI comprise the following investments:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— Equity investments_Listed (i)	—	—	—	118,309
— Equity investments_Unlisted	17,538	19,285	37,491	47,671
	17,538	19,285	37,491	165,980

(i) Equity investments_Listed

The fair value of listed securities is determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on quoted market prices without any deduction for transaction costs.

(ii) Debt investments

As at December 31, 2017, 2018 and 2019 and September 30, 2020, the Group made debt investments with embedded derivatives of nil, RMB13,787,000, RMB21,400,000 and RMB20,907,000, respectively. These investees are principally engaged in pharmaceutical business.

These investments including: (a) redeemable preferred shares that the Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of the investee, (b) loan receivables embedded with a warrant to acquire preferred shares of the investee at an assigned price and (c) loan receivables that can be converted into preferred shares of the investee upon conversion events which are out of control of the investee. Debt investment with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Hence, these investments are accounted for as debt instruments and are measured at financial assets at FVPL.

(iii) Short-term investments measured at FVPL

The short-term investments measured at FVPL are structured deposits and money market funds, denominated in RMB and USD, with expected rates of return ranging from 0.55% to 2.00%, 1.48% to 5.00%, 1.48% to 5.00%, 1.48% to 5.00% and 0.55% to 5.00%, per annum for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. The returns on all of these investments are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at FVPL. None of these investments were past due.

The fair values are based on cash flow discounted using the expected return based on management judgment and the fair value of structured deposits and money market funds are within level 2 and level 1 of the fair value hierarchy, respectively.

(iv) Amounts recognized in profit or loss

	For the year ended December 31,			For the nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fair value changes on equity investments	(70)	(3,294)	1,458	218	839
Fair value changes on debt investments	—	61	405	192	14
Fair value changes on short-term investments measured at FVPL					
— Money market funds	758	145	94	84	6
— Structured deposits	—	—	1,954	1,041	2,022

(v) Amounts recognized in OCI

	For the year ended December 31,			For the nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fair value changes on equity investments measured at FVOCI	3,914	835	17,679	17,554	83,860

27 Share-based payments

(a) Prior to the Privatization in October 2017

From June 11, 2015, SPI started to adopt its 2015 Equity Incentive Plan (the "2015 Plan"), which permitted the grant of incentive stock options, non-statutory stock options, restricted stock unites ("RSU"), performance restricted stock unites ("PSU") and other forms of equity compensation. Under the 2015 Plan, options were exercisable upon conditions determined by the Board of Directors of SPI and expired ten years from the date of grant. Options had exercise prices equal to the grant date fair market value of a share of publicly traded common stock and vested over time, generally four years, or on achievement of certain performance condition of SPI. Certain stock option awards were subject to accelerated vesting upon a change in control.

SPI also provided employee stock purchase plan ("ESPP") under which eligible employees could choose to have their salaries withheld to purchase SPI's common stocks. The purchase price of the stock issued under the ESPP was equal to 85% of the fair market value of SPI's common stock.

Following the Privatization on October 13, 2017, all then-outstanding vested but unexercised share-based awards (including those share-based awards which vested as a result of accelerated vesting provisions) were settled in cash by the consortium of investors based upon the intrinsic value of their awards computed by reference to the per share acquisition price. Accordingly, all share based awards under SPI's equity incentive plans were extinguished as a result of the Privatization. For the year ended December 31, 2017, the Group recorded share-based compensation expenses in relation to the outstanding vested but unexercised share-based awards under the 2015 Plan with the amount of RMB54,598,000.

(b) After the Privatization

In June 2018, SBE adopted its 2018 Incentive Plan (the "2018 Plan"), which permits the grant of stock options to the employees and directors of the Group. Under the plan, a total of 4.22 million, representing 7.78% of 53.41 million common stocks of SBE were initially reserved for issuance. The stock options of under the 2018 Plan have a contractual term of eight years from the grant date. Stock based compensation expenses related to the stock options granted to the Group's employees were pushed down and recorded in the consolidated financial statements of the Group.

In December 2018, April 2019, April 2020 and July 2020, SBE granted 3,878,500, 339,000, 936,121 and 650,000 stock options to the Group's employees, respectively. All of the stock options were granted with performance conditions of which vesting is contingent upon meeting company-wide performance goals and respective individual's personal performance goals, compensation cost is recognized over the requisite service period if it is probable that the performance target will be achieved. The Group reassesses the probability of achieving the performance conditions at the end of each reporting period and records cumulative catch-up adjustments for any changes to its assessment.

SBE distributed dividends to its shareholders in November 2019, exercise prices for the share options granted under the 2018 Plan in December 2018 and April 2019 were automatically adjusted from USD8 to USD5.24 based on the proportion of dividend distribution. No incremental share-based compensation expense was recognized as a result of the exercise price adjustment.

In June 2020, together with the Reorganization, the Company adopted its 2020 Option Incentive Plan (the "2020 Plan") to replace the 2018 plan, and its terms and conditions remain the same as the 2018 Plan of SBE except that each share of SBE proportionally splits into 10 shares of the Company. The Company's proportion of equity remained the same as SBE after the Reorganization. No incremental share-based compensation expense was recognized as a result of this modification.

The following table summarizes activities of stock options granted to the Group's employees under the 2018 Plan for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019:

	Year ended December 31,				Nine months ended September 30,	
	2018		2019		2019	
					(unaudited)	
	Average exercise price per option (USD)	Number of options	Average exercise price per option (USD)	Number of options	Average exercise price per option (USD)	Number of options
As at beginning of year/period	—	—	5.24	3,878,500	5.24	3,878,500
Granted during the year/period	5.24	3,878,500	5.24	339,000	5.24	339,000
Forfeited during the year/period	—	—	5.24	(54,700)	5.24	(54,700)
As at year/period end	5.24	3,878,500	—	4,162,800	—	4,162,800
Vested and exercisable at year/period end	—	—	5.24	1,078,800	5.24	1,078,800

The following table summarizes activities of stock options granted to the Group's employees under the 2018 Plan, which was replaced by the 2020 Plan in September 2020, for the nine months ended September 30, 2020:

	Nine months ended September 30, 2020	
	Average exercise price per option (USD)	Number of options
As at beginning of period	5.24	4,162,800
Granted before June 2020	5.24	936,121
Forfeited before June 2020	5.24	(271,050)
Share splits in June 2020	0.524	43,450,839
Granted after June 2020	0.524	6,500,000
As at period end	0.524	54,778,710
Vested and exercisable at period end	0.524	21,363,500

Share options outstanding at the end of the year/period have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	Share options December 31, 2018	Share options December 31, 2019
December 15, 2018	December 15, 2026	USD 5.24	3,878,500	3,823,800
April 1, 2019	April 1, 2027	USD 5.24	—	339,000
April 1, 2020	April 1, 2028	USD 5.24	—	—
Total			3,878,500	4,162,800
Weighted average remaining contractual life of options outstanding at end of year			8.00 years	7.08 years

Grant Date	Expiry date	Exercise price	Share options September 30, 2020
December 15, 2018	December 15, 2026	USD 0.524	35,976,500
April 1, 2019	April 1, 2027	USD 0.524	2,941,000
April 1, 2020	April 1, 2028	USD 0.524	9,361,210
July 1, 2020	July 1, 2028	USD 0.524	6,500,000
Total			54,778,710
Weighted average remaining contractual life of options outstanding at end of period			6.63 years

Fair value of options granted

The fair value of each option granted under the 2018 Plan during the Track Record Period were estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2019	2020
			(unaudited)	
Exercise price	USD 8	USD 8	USD 8	USD 5.24
Option life	8 years	8 years	8 years	8 years
Expected price volatility of the underlying shares	43.94%	46.75%	46.75%	48.50%-48.66%
Risk-free interest rate	2.67%	2.55%	2.55%	0.69%
Fair value per option at grant date (USD)	1.27-2.05	1.81-2.07	1.81-2.07	8.77-11.17

Stock subscription

On June 24, 2018, SBE adopted an executive investment plan, pursuant to which, on December 15, 2018 and January 1, 2019, certain executives and directors of the Group were permitted to subscribe 791,420 and 415,009 of its common stocks with a designated subscription price, respectively. Stock based compensation expenses generated from the differences between the designated subscription price and the fair value of SBE's common stocks with the amount of RMB5,302,000, RMB2,890,000, RMB2,890,000 and nil were pushed down and recorded in the consolidated financial statements of the Group during the year ended December 31, 2018 and 2019 and the period ended September 30, 2019 and 2020, respectively. On August 7, 2020, the Company issued and allotted 12,064,290 shares to these executives and directors at the consideration of USD3,657,000 (equivalent to RMB25,385,000).

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the Track Record Period as part of employee benefit expense were as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Recognized in:					
Cost of revenue	1,125	130	1,784	1,289	500
Sales and marketing expenses	8,709	1,122	16,201	11,682	10,841
Administrative expenses	41,489	6,099	12,336	9,955	23,881
R&D expenses	3,275	241	3,720	2,720	5,559
Total share-based compensation expenses	54,598	7,592	34,041	25,646	40,781

28 Trade and other payables

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables (a)	38,252	52,576	66,047	83,670
Payables for marketing and promotion expenses	52,505	45,966	71,633	55,124
Salaries and bonus payable	63,062	55,645	65,238	60,858
Payables for professional service fee	12,662	10,186	8,278	2,596
Payables for listing expenses	—	—	—	19,972
Payables for purchase of a license (Note 9(b))	—	—	—	170,253
Termination compensation received in advance (b)	—	—	—	34,168
Dividends payable	—	—	—	54,481
Others	5,198	1,371	13,125	23,426
	171,679	165,744	224,321	504,548

(a) Aging analysis of the trade payables based on invoice date at the respective balances sheet dates are as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	38,252	52,576	66,047	83,670

(b) In April 2020, a licensing partner of the Group early terminated the Group's distributorship of an in-licensed product, and the Group will receive compensations for the termination with the total amount of approximately USD7,300,000. As of September 30, 2020, the Group has received prepaid compensations with the amount of USD4,847,000 (equivalent to RMB34,168,000), which was recorded as a payable. The compensation was fully settled and recognized as other income upon completion of the transfer of prescribed registrations and documents in December 2020.

29 Lease liabilities

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payments due				
– Within 1 year	19,412	22,632	19,820	9,052
– Between 1 and 2 years	13,446	16,048	5,542	2,843
– Between 2 and 5 years	7,392	2,431	2,017	381
	40,250	41,111	27,379	12,276
Less: future finance charges	(1,468)	(1,551)	(921)	(376)
Present value of lease liabilities	38,782	39,560	26,458	11,900
Within 1 year	19,140	22,206	19,466	8,895
Between 1 and 2 years	12,956	15,443	5,356	2,756
Between 2 and 5 years	6,686	1,911	1,636	249
	38,782	39,560	26,458	11,900

30 Borrowings

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Long-term borrowings due after one year	—	—	—	1,631,447
Current assets				
Long-term borrowings due within one year	—	—	—	408,460

In June 2020, SPIL, a wholly owned subsidiary of the Company, obtained a bank facility (the "Facility") with a total amount of USD300 million from China Minsheng Banking Corp., Ltd. Hong Kong Branch (the "Lender") with substantially all of SPIL's (and its subsidiaries', as applicable) assets and common stocks pledged as security for the Facility.

In June 2020, a five-year loan of USD300 million (equivalent to RMB2,123,850,000) (the "Loan") with floating rate was drawn down from the Facility. The first installment of 20% principal amount shall be repaid according to the following schedule: (i) if the Company has not yet submitted its initial public offering ("IPO") application or has completed its IPO by November 4, 2020, the first installment shall be made on November 4, 2020; (ii) if the Company has submitted IPO application but not yet completed its IPO before November 4, 2020, the first installment shall be made until the earlier of (a) one month after the Company's IPO and (b) March 31, 2021.

The remaining repayment installments of the Loan are as follows:

	Dates	Required Principal Payments
		USD'000
2nd installment	November 4, 2021	60,000
3rd installment	November 4, 2022	60,000
4th installment	November 4, 2023	60,000
5th installment	November 4, 2024	60,000

In addition, the Lender has a right to ask SPIL to repay at least USD40 million (equivalent to RMB283,180,000) of the principal amount in advance out of the IPO proceeds within one month after the consummation of the Company's IPO.

Debt Issuance Costs and Interest Expense

SPIL incurred transaction costs of USD795,000 (equivalent to RMB5,601,000) in connection with the Facility, and the costs were recorded as debt issuance costs offsetting the carrying value of the borrowings. The debt issuance costs are being amortized to interest expense over the life of the debt using the effective interest method.

For the nine months ended September 30, 2020, interest expenses in connection with the Facility Agreement was USD2,373,000 (equivalent to RMB16,586,000).

31 Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after 12 months	(2,975)	(4,938)	(6,240)	(8,289)

The movements in deferred income tax assets and liabilities for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020 without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

	Deferred tax liabilities-withholding tax
	RMB'000
As of January 1, 2017	(2,874)
Charged to profit or loss	(101)
At December 31, 2017	(2,975)
As of January 1, 2018	(2,975)
Charged to profit or loss	(1,963)
At December 31, 2018	(4,938)
As of January 1, 2019	(4,938)
Charged to profit or loss	(1,302)
At December 31, 2019	(6,240)
As of January 1, 2020	(6,240)
Charged to profit or loss	(2,049)
At September 30, 2020	(8,289)
(Unaudited)	
As of January 1, 2019	(4,938)
Charged to profit or loss	(1,427)
At September 30, 2019	(6,365)

Deferred income tax assets are recognized for tax losses carrying forwards and deductible temporary differences to the extent that realization of the related tax benefits through the future taxable profits is probable. As at December 31, 2017, 2018 and 2019 and September 30, 2020, the Group did not recognize deferred income tax assets in respect of losses of RMB866,298,000, RMB61,743,000, RMB28,746,000 and RMB32,939,000, respectively. Tax losses of the Group's subsidiaries established in Mainland China will expire from 2021 to 2025. Tax losses of the Group's subsidiaries incorporated in Hong Kong will be carried forward indefinitely.

32 Share capital

The Company was incorporated on May 13, 2020 with an authorized share capital of USD50,000 divided into 1,000,000,000 ordinary shares with a par value of USD0.00005 each. On the same date, 1 ordinary share was issued to one of the shareholders of SBE. On June 24, 2020, the Company issued 543,135,509 shares to the shareholders of SBE in proportion to their shareholdings in SBE (Note 1.2(b)). On August 7, 2020, the Company issued and allotted 12,064,290 shares to the executives and directors at the consideration of USD3,657,000 (equivalent to RMB25,385,000).

	Number of ordinary shares issued	Equivalent nominal value of ordinary shares
		RMB'000
At May 13, 2020 (date of incorporation)	1	—
Issuance of ordinary shares in exchange for the entire equity interests of SPIL	543,135,509	188
Issuance of ordinary shares to the executives and directors (Note 27)	12,064,290	4
At September 30, 2020	555,199,800	192

33 Other reserve

Group

	Financial asset at FVOCI	Share-based compensation reserve	Currency translation differences	Statutory surplus reserve	Capital reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017	14,592	—	—	1,067	2,113,359	2,129,018
Foreign currency translation	—	—	(72,928)	—	—	(72,928)
Appropriation to statutory reserves (i)	—	—	—	652	—	652
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan of SPI	—	—	—	—	19,169	19,169
Changes in the fair value of equity investments at FVOCI	3,914	—	—	—	—	3,914
Share based compensation expenses	—	54,598	—	—	—	54,598
Repurchase of common stock of SPI (ii)	—	—	—	—	(471,747)	(471,747)
Balance at December 31, 2017	18,506	54,598	(72,928)	1,719	1,660,781	1,662,676
Balance at January 1, 2018	18,506	54,598	(72,928)	1,719	1,660,781	1,662,676
Foreign currency translation	—	—	57,536	—	—	57,536
Appropriation to statutory reserves (i)	—	—	—	3,583	—	3,583
Changes in the fair value of equity investments at FVOCI	835	—	—	—	—	835
Share-based compensation expenses	—	7,592	—	—	—	7,592
Contribution from shareholders (iii)	—	—	—	—	45,347	45,347
Dividends	—	—	—	—	(563,419)	(563,419)
Balance at December 31, 2018	19,341	62,190	(15,392)	5,302	1,142,709	1,214,150

	Financial asset at FVOCI	Share-based compensation reserve	Currency translation differences	Statutory surplus reserve	Capital reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019	19,341	62,190	(15,392)	5,302	1,142,709	1,214,150
Foreign currency translation	—	—	27,578	—	—	27,578
Appropriation to statutory reserves (i)	—	—	—	2,685	—	2,685
Changes in the fair value of equity investments at FVOCI	17,679	—	—	—	—	17,679
Share-based compensation expenses	—	34,041	—	—	—	34,041
Balance at December 31, 2019	37,020	96,231	12,186	7,987	1,142,709	1,296,133
Balance at January 1, 2020	37,020	96,231	12,186	7,987	1,142,709	1,296,133
Issuance of ordinary shares	—	—	—	—	25,193	25,193
Foreign currency translation	—	—	22,684	—	—	22,684
Changes in the fair value of equity investments at FVOCI	83,860	—	—	—	—	83,860
Share-based compensation expenses	—	40,781	—	—	—	40,781
Contribution from shareholders (iv)	—	—	—	—	8,761	8,761
Dividends	—	—	—	—	(1,404,240)	(1,404,240)
Balance at September 30, 2020	120,880	137,012	34,870	7,987	(227,577)	73,172

	Financial asset at FVOCI	Share-based compensation reserve	Currency translation differences	Statutory surplus reserve	Capital reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Balance at January 1, 2019	19,341	62,190	(15,392)	5,302	1,142,709	1,214,150
Foreign currency translation	—	—	47,100	—	—	47,100
Changes in the fair value of equity investments at FVOCI	17,554	—	—	—	—	17,554
Share based compensation expenses	—	25,646	—	—	—	25,646
Balance at September 30, 2019	36,895	87,836	31,708	5,302	1,142,709	1,304,450

(i) In accordance with the Company Law of the People's Republic of China and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in Mainland China, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both statutory surplus reserve fund and discretionary reserves fund can be capitalized as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the People's Republic of China on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in Mainland China, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve fund. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not to be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

(ii) To facilitate the Privatization, SPIL acquired common stock of SPI at purchase price of USD71,600,000 (equivalent to RMB471,747,000).

(iii) In October 2018, SBI, the immediate holding company of SPI, made a capital contribution to SPI in cash of USD6,511,000 (equivalent to RMB45,347,000).

(iv) Upon completion of the Reorganization, net liabilities of SPI which were not transferred to the Group were accounted for as a deemed contribution from the Shareholders. The following table summarizes the assets and liabilities of SPI upon the completion of the Reorganization:

	Contribution from shareholders
	RMB'000
Cash and cash equivalents	1,948
Other current assets	4,526
Current tax liabilities	(14,683)
Trade and other payables	(552)
	(8,761)

Company

	Currency translation differences	**Capital reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at May 13, 2020 (date of incorporation)	—	—	—
Foreign currency translation	(258,017)	—	(258,017)
Issuance of ordinary shares in exchange for the entire equity interests of SPIL	—	6,792,648	6,792,648
Issuance of ordinary shares to the executives and directors (Note 27)	—	25,381	25,381
Balance at September 30, 2020	(258,017)	6,818,029	6,560,012

34 Cash flow information

(a) Cash generated from operations

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before income tax	260,514	495,273	661,171	526,925	754,821
Adjustments for:					
Depreciation of property, plant and equipment	8,472	8,793	6,265	5,058	6,156
Amortization of intangible assets	1,602	2,320	7,213	4,736	63,013
Amortization of right-of-use assets	24,841	24,716	22,895	17,211	16,895
Change in fair value of financial assets at FVPL	(688)	3,088	(3,911)	(1,535)	(2,881)
Write-downs of inventories	1,685	—	93	93	112
Impairment losses of intangible assets	—	—	—	—	20,968
Share based compensation	54,598	7,592	34,041	25,646	40,781
Interest income	(7,522)	(6,225)	(12,171)	(8,211)	(9,189)
Loss on sale of property, plant and equipment and intangible assets	52	93	192	192	107
Interest expense	1,744	1,742	1,189	1,101	17,381
Foreign exchange (gains)/losses	(13,399)	5,190	1,019	169	591
Change in working capital:					
(Increase)/decrease in inventories	(37,096)	(1,481)	7,503	44,596	13,061
(Increase)/decrease in trade receivables	(129,111)	(193,294)	265,389	273,922	(65,370)
(Increase)/decrease in other current assets and other assets	(34,935)	15,953	(189)	(1,417)	(46,180)
Increase/(decrease) in trade and other payables	35,927	(14,579)	55,848	(6,347)	37,159
Cash generated from operations	166,684	349,181	1,046,547	882,139	847,425

(b) Non-cash investing and financing activities

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Deemed contributions from shareholders with derecognition of net liabilities (excluding cash) of SPI upon the Reorganization (Note 33(iv))	—	—	—	—	10,709
Acquisition of right-of-use assets through lease arrangements (Note 17)	12,952	23,382	9,239	3,378	3,008

(c) Net cash/(debt) reconciliation

Set out below is an analysis of net cash and the movements in net cash for each of the years/periods presented.

	As at December 31,			As at September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash and cash equivalents	481,629	275,962	919,490	1,048,726	1,151,967
Borrowings – repayable within one year	—	—	—	—	(408,460)
Borrowings – repayable after one year	—	—	—	—	(1,631,447)
Lease liabilities – due within one year	(19,140)	(22,206)	(19,466)	(19,446)	(8,895)
Lease liabilities – due after one year	(19,642)	(17,354)	(6,992)	(7,355)	(3,005)
Net cash/(debt)	442,847	236,402	893,032	1,021,925	(899,840)
Cash and cash equivalents	481,629	275,962	919,490	1,048,726	1,151,967
Gross debt – floating interest rates	—	—	—	—	(2,039,907)
Gross debt – fixed interest rates	(38,782)	(39,560)	(26,458)	(26,801)	(11,900)
Net cash/(debt)	442,847	236,402	893,032	1,021,925	(899,840)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Lease liabilities	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash as at January 1, 2017	795,633	(52,847)	—	742,786
Cash flows	(327,403)	25,692	—	(301,711)
Increase of right-of-use assets	—	(12,952)	—	(12,952)
Accrual interests	—	(1,744)	—	(1,744)
Foreign exchange adjustments	13,399	3,069	—	16,468
Net cash as at December 31, 2017	481,629	(38,782)	—	442,847
Net cash as at January 1, 2018	481,629	(38,782)	—	442,847
Cash flows	(200,477)	26,299	—	(174,178)
Increase of right-of-use assets	—	(23,382)	—	(23,382)
Accrual interests	—	(1,742)	—	(1,742)
Foreign exchange adjustments	(5,190)	(1,953)	—	(7,143)
Net cash as at December 31, 2018	275,962	(39,560)	—	236,402
Net cash as at January 1, 2019	275,962	(39,560)	—	236,402
Cash flows	644,547	24,182	—	668,729
Increase of right-of-use assets	—	(9,239)	—	(9,239)
Accrual interests	—	(1,189)	—	(1,189)
Foreign exchange adjustments	(1,019)	(652)	—	(1,671)
Net cash as at December 31, 2019	919,490	(26,458)	—	893,032
Net cash as at January 1, 2020	919,490	(26,458)	—	893,032
Cash flows	251,632	17,732	(2,123,850)	(1,854,486)
Increase of right-of-use assets	—	(3,008)	—	(3,008)
Accrual interests	—	(795)	—	(795)
Other changes	—	—	3,123	3,123
Foreign exchange adjustments	(19,155)	629	80,820	62,294
Net debt as at September 30, 2020	1,151,967	(11,900)	(2,039,907)	(899,840)
(Unaudited)				
Net cash as at January 1, 2019	275,962	(39,560)	—	236,402
Cash flows	772,933	18,446	—	791,379
Increase of right-of-use assets	—	(3,378)	—	(3,378)
Accrual interests	—	(1,101)	—	(1,101)
Foreign exchange adjustments	(169)	(1,208)	—	(1,377)
Net cash as at September 30, 2019	1,048,726	(26,801)	—	1,021,925

35 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The following companies are related parties of the Group that had balances and/or transactions with the Group.

(a) Names and relationships with related parties

Name	Relationship
SBH	Intermediate holding company

(b) Significant transactions with related parties

(i) Payments on behalf of a related party

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
SBH	—	—	246	—	—

(ii) Contribution from equity holders

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
SBH	—	45,347	—	—	8,761

(iii) Dividends to the Company's shareholders

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
SBH	—	563,419	211,596	—	2,230,394

(iv) Financial guarantee provided to the Company's shareholder

Prior to June 2020, the Group had provided guarantee for a bank loan facility to SBH. In the event that SBH fails to perform its obligations under the bank loan facility or otherwise defaults thereunder, the Group will become liable for SBH's obligations under the bank loan facility, which amounted to USD176,000,000 (equivalent to RMB1,150,019,000), USD132,000,000 (equivalent to RMB905,942,000) and USD300,000,000 (equivalent to RMB2,092,860,000) as at December 31, 2017, 2018 and 2019. SBH repaid the bank loan in full in June 2020, upon which, the Group was released from the guarantee. Financial guarantee liability in relation to the guarantee provided to SBH was minimal at December 31, 2017, 2018 and 2019.

Balances due to/from the Group's related parties will be settled before the Listing.

(c) Key management personnel compensations

The compensations paid or payable to key management personnel for employee services are shown below:

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries, bonuses	47,468	23,482	20,782	15,607	17,040
Share-based payments	20,503	3,574	17,410	14,185	17,209
Contributions to pension plans	581	593	615	511	365
Housing funds, medical insurance and other social welfare contributions	340	419	794	589	628
	68,892	28,068	39,601	30,892	35,242

36 Contingencies

The Group did not have any material contingent liabilities as at December 31, 2017, 2018, 2019 and September 30, 2020.

37 Subsequent Events

On February 5, 2021, the Company's board of directors approved its plan to declare a dividend of approximately US$120.0 million from its consolidated retained earnings as of December 31, 2020 to its existing shareholders.

On January 22, 2021, the Company's shareholders approved and adopted a share based payment scheme (the "Post-IPO RSU Plan"), under which a total number of 6,689,963 shares of the Company will be issued and granted to certain directors, officers, and other key contributors and employees of the Group subject to certain vesting conditions after the Listing.

In February 2021, an aggregate of 6,689,963 shares of the Company were issued and then directed to SCLN ESOP Management Limited, a company incorporated for the purpose of holding shares under the Post-IPO RSU Plan in trust for and on behalf of grantees to be determined after the Listing.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to September 30, 2020 and up to the date of this report.