I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
PROFIT FOR THE YEAR/PERIOD	240,892	616,963	469,445	748,973
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operations	(72,384)	73,202	78,078	82,463
Share of other comprehensive income of an associate	—	—	—	269
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(72,384)	73,202	78,078	82,732
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods (net of tax):				
Net losses on equity investments designated at fair value through other comprehensive income	(180,501)	(190,852)	(141,210)	(40,265)
Remeasurement (losses)/gains on defined benefit pension schemes	(9,936)	5,380	6,621	(19,508)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(190,437)	(185,472)	(134,589)	(59,773)
Other comprehensive (loss)/income for the year/period, net of tax	(262,821)	(112,270)	(56,511)	22,959
Total comprehensive (loss)/income for the year/period, net of tax	(21,929)	504,693	412,934	771,932
Attributable to:				
Owners of the parent	(21,314)	528,711	422,749	786,906
Non-controlling interests	(615)	(24,018)	(9,815)	(14,974)

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		As at 30 September
		2017	2018	2019
		RMB'000	RMB'000	RMB'000 (Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	14	2,080,291	2,554,239	2,627,496
Right-of-use assets	15	292,543	261,906	245,940
Goodwill	16	2,205,705	2,316,763	2,387,550
Other intangible assets	17	606,450	616,656	568,118
Investments in associates	18	641,979	562,490	1,279,809
Equity investments designated at fair value through other comprehensive income	20	550,363	608,785	649,811
Financial assets at fair value through profit or loss	21	961,863	931,367	1,259,938
Time deposits	28	490,909	127,510	—
Deferred tax assets	34	21,816	110,831	156,108
Other non-current assets	23	143,468	146,327	164,517
Total non-current assets		7,995,387	8,236,874	9,339,287
CURRENT ASSETS				
Inventories	24	1,353,592	1,646,559	2,175,588
Trade and bills receivables	25	703,202	1,084,489	1,054,996
Contract assets	26	11,389	17,384	21,560
Prepayments, other receivables and other assets	27	652,415	476,801	591,480
Due from related parties	46	50,285	44,468	302,590
Financial assets at fair value through profit or loss	21	293,185	266,293	343,897
Derivative financial instruments	22	43,150	77,174	6,811
Pledged deposits	28	6,141	3,837	52,027
Time deposits	28	2,369,640	464,299	127,510
Cash and cash equivalents	28	730,470	1,526,100	1,177,083
Total current assets		6,213,469	5,607,404	5,853,542
CURRENT LIABILITIES				
Trade and bills payables	29	162,474	205,273	253,569
Other payables and accruals	30	340,024	493,683	484,102
Contract liabilities	31	129,398	254,843	257,912
Interest-bearing bank and other borrowings	32	3,259,732	2,463,482	4,630,960
Tax payable		24,134	61,788	53,283
Due to related parties	46	2,122	1,180,701	5,487
Lease liabilities	36	28,968	30,809	31,900
Total current liabilities		3,946,852	4,690,579	5,717,213
NET CURRENT ASSETS		2,266,617	916,825	136,329
TOTAL ASSETS LESS CURRENT LIABILITIES		10,262,004	9,153,699	9,475,616
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	1,824,333	2,449,442	1,729,899
Deferred income	33	42,345	31,254	21,334
Deferred tax liabilities	34	130,447	202,503	308,865
Long-term employee benefits	35	74,954	77,607	104,548
Other non-current liabilities		9,094	9,842	10,157
Lease liabilities	36	127,062	106,718	94,741
Total non-current liabilities		2,208,235	2,877,366	2,269,544
Net assets		8,053,769	6,276,333	7,206,072
EQUITY				
Equity attributable to owners of the parent				
Share capital	37	1,247,202	1,247,202	1,247,202
Reserves	38	6,584,962	4,852,410	5,834,153
Total equity attributable to owners of the parent		7,832,164	6,099,612	7,081,355
Non-controlling interests		221,605	176,721	124,717
Total equity		8,053,769	6,276,333	7,206,072

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
						Retained	
	Share capital	Share premium*	Merger reserve*	Exchange fluctuation reserve*	Share option reserve*	Fair value reserve*	

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

		Attributable to owners of the parent												
	Note	Share capital	Share premium*	Merger reserve*	Exchange fluctuation reserve*	Share option reserve*	Fair value reserve*	Defined benefit contribution reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		RMB'000 (Note 37)	RMB'000	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000	RMB'000 (Note 38)	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017 and 1 January 2018		1,247,202	4,218,797	245,358	29,558	33,937	156,921	(19,751)	11,500	490,285	1,418,357	7,832,164	221,605	8,053,769
Profit for the year		—	—	—	—	—	—	—	—	—	640,194	640,194	(23,231)	616,963
Other comprehensive income for the year:														
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax		—	—	—	—	—	€ 190,852)	—	—	—	—	€ 190,852)	—	€ 190,852)
Exchange differences on translation of foreign operations		—	—	—	73,989	—	—	—	—	—	—	73,989	(787)	73,202
Remeasurement gains on defined benefit pension schemes		—	—	—	—	—	—	5,380	—	—	—	5,380	—	5,380
Total comprehensive income for the year		—	—	—	73,989	—	(190,852)	5,380	—	—	640,194	528,711	(24,018)	504,693
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	—	45,124	—	—	45,124	85,362	130,486
Share of other reserves of associates		—	—	—	—	—	—	—	11,813	—	—	11,813	—	11,813
Equity-settled share option arrangements		—	—	—	—	—	—	—	240	—	—	240	204	444
Acquisition of a subsidiary	41	—	—	(2,293,416)	—	—	—	—	—	—	—	(2,293,416)	(106,584)	(2,400,000)
Disposal of a subsidiary		—	—	—	—	—	—	—	—	—	—	—	152	152
Transfer of fair value reserve of equity investments at fair value through other comprehensive income		—	—	—	—	—	(14,995)	—	—	—	14,995	—	—	—
Transfer from retained profits										27,282	(27,282)			
Dividend declared to shareholders		—	—	—	—	—	—	—	—	—	(56,124)	(56,124)	—	(56,124)
Others		—	—	—	—	—	—	—	31,100	—	—	31,100	—	31,100
At 31 December 2018		1,247,202	4,218,797	(2,048,058)	103,547	33,937	(48,926)	(14,371)	99,777	517,567	1,990,140	6,099,612	176,721	6,276,333

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent												
	Share capital	Share premium*	Merger reserve*	Exchange fluctuation reserve*	Share option reserve*	Fair value reserve*	Defined benefit contribution reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (Note 37)	RMB'000	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000	RMB'000 (Note 38)	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)													
At 31 December 2018 and 1 January 2019	1,247,202	4,218,797	(2,048,058)	103,547	33,937	(48,926)	(14,371)	99,777	517,567	1,990,140	6,099,612	176,721	6,276,333
Profit for the period	—	—	—	—	—	—	—	—	—	763,586	763,586	(14,613)	748,973
Other comprehensive income for the period:													
Share of other comprehensive income of an associate	—	—	—	—	—	—	—	269	—	—	269	—	269
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	(40,265)	—	—	—	—	(40,265)	—	(40,265)
Exchange differences on translation of foreign operations	—	—	—	82,824	—	—	—	—	—	—	82,824	(361)	82,463
Remeasurement losses on defined benefit pension schemes	—	—	—	—	—	—	(19,508)	—	—	—	(19,508)	—	(19,508)
Total comprehensive income for the period	—	—	—	82,824	—	(40,265)	(19,508)	269	—	763,586	786,906	(14,974)	771,932
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	6,469	—	—	6,469	8,209	14,678
Share of other reserves of associates	—	—	—	—	—	—	—	2,364	—	—	2,364	—	2,364
Equity-settled share option arrangements	—	—	—	—	—	—	—	128	—	—	128	109	237
Deemed disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(45,348)	(45,348)
Transfer of fair value reserve of equity investments at fair value through other comprehensive	—	—	—	—	—	742	—	—	—	(742)	—	—	—
Other changes of investment in a subsidiary	—	—	—	—	—	—	—	248,551	—	—	248,551	—	248,551
Dividend declared to shareholders	—	—	—	—	—	—	—	—	—	(124,720)	(124,720)	—	(124,720)
Others	—	—	—	—	—	—	—	62,045	—	—	62,045	—	62,045
At 30 September 2019	1,247,202	4,218,797	(2,048,058)	186,371	33,937	(88,449)	(33,879)	419,603	517,567	2,628,264	7,081,355	124,717	7,206,072

* These reserve accounts comprise the consolidated reserves of RMB6,584,962,000, RMB4,852,410,000 and RMB5,834,153,000 in the consolidated statements of financial position as of 31 December 2017 and 2018, and 30 September 2019, respectively.

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Nine months ended 30 September	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax:		157,085	765,207	584,869	887,034
Adjustments for:					
Bank interest income	6	(137,740)	(69,456)	(50,568)	(40,170)
Finance costs	8	183,268	229,207	170,519	200,693
Share of profits and losses of associates		79,710	305,003	233,915	41,797
Dividend income from financial assets at fair value through profit or loss	6	(781)	(36,823)	(25,353)	(643)
Dividend income from financial assets designated at fair value through other comprehensive income	6	—	(3,694)	—	(16,449)
Gains on disposal of financial assets at fair value through profit or loss	6	(26,363)	(13,917)	(12,385)	(1,456)
Fair value losses/(gains) on derivative instruments	6	3,728	(30,490)	(38,742)	101,241
Fair value gains on financial assets at fair value through profit or loss	6	(46,757)	(8,191)	(32,218)	(151,220)
Gain on disposal of a subsidiary	6	—	(28,766)	(28,766)	—
Gain on deemed disposal of a subsidiary	6	—	—	—	(573,865)
Losses/(gains) on disposal of items of property, plant and equipment					

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend income from financial assets at fair value through profit or loss	238	38,994	5,394	643
Dividend income from equity investments designated at fair value through other comprehensive income	—	—	—	16,449
Dividend received from an associate	—	—	—	21,605
Gains on disposal of financial assets at fair value through profit or loss	24,377	6,685	4,589	14,274
Proceeds from financial assets at fair value through profit or loss	1,938,515	788,618	495,698	908,528
Proceeds from equity investments designated at fair value through other comprehensive income	—	31,018	10,868	16,779
Purchases of derivative instruments	(27,154)	(3,534)	—	(34,455)
Purchases of property, plant and equipment	(621,524)	(498,797)	(303,358)	(272,826)
Purchases of other intangible assets	(18,276)	(36,212)	(33,854)	(2,179)
Investments in associates	(439,120)	(53,550)	(23,800)	(71,507)
Purchase of financial assets at fair value through profit or loss	(2,008,259)	(813,916)	(537,631)	(1,160,176)
Purchases of equity investments designated at fair value through other comprehensive income	(15,948)	(31,863)	—	—
Increase in an amount due from a related party	(43,287)	—	—	—
Proceeds from disposal of items of property, plant and equipment	1,400	1,081	316	24
Acquisition of a subsidiary	(8,750)	—	—	—
Proceeds from disposal of subsidiaries	—	27,172	27,172	(75,898)
Decrease in time deposits	922,492	2,268,740	1,968,640	464,299
Interest received from time deposits	38,099	111,452	111,452	2,860
Net cash flows (used in)/from investing activities	(257,197)	1,835,888	1,725,486	(171,580)

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Notes	Year ended 31 December		Nine months ended 30 September	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loans and other borrowings		3,400,903	3,916,955	2,797,372	4,131,683
Repayment of bank loans and other borrowings		(2,365,726)	(4,205,169)	(2,838,712)	(2,728,080)
Interest on bank loans and other borrowings paid		(180,920)	(224,628)	(124,218)	(162,459)
Contribution from the non-controlling shareholders		17	96,861	100	14,543
Dividends paid		(311,800)	(56,124)	(12,527)	(124,720)
Acquisition of subsidiaries under common control		—	(1,224,000)	(1,224,000)	(1,176,000)
Principal and interest elements of lease payments		(39,172)	(36,370)	(26,889)	(29,314)
Net cash flows from/(used in) financing activities		503,302	(1,732,475)	(1,428,874)	(74,347)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(147,369)	776,201	714,120	(357,332)
Cash and cash equivalents at beginning of year / period		882,376	730,470	730,470	1,526,100
Effect of foreign exchange rate changes, net		(4,537)	19,429	42,431	8,315
CASH AND CASH EQUIVALENTS AT END OF YEAR / PERIOD		730,470	1,526,100	1,487,021	1,177,083
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	28	529,470	1,226,000	1,487,021	852,085
Non-pledged time deposits with original maturity of less than three months	28	201,000	300,100	—	324,998
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	28	730,470	1,526,100	1,487,021	1,177,083

I HISTORICAL FINANCIAL INFORMATION—continued

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		As at 30 September
		2017	2018	2019
		RMB'000	RMB'000	RMB'000 (Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	14	705,030	1,135,646	1,193,131
Right-of-use assets	15	114,991	111,013	123,505
Other intangible assets	17	9,788	8,782	8,255
Investments in associates		555,817	375,798	537,295
Interests in subsidiaries	19	2,620,191	3,195,069	3,249,058
Equity investments designated at fair value through other comprehensive income	20	281,583	69,423	32,143
Financial assets at fair value through profit or loss	21	246,150	303,848	450,860
Time deposits	28	490,909	127,510	—
Deferred tax assets	34	—	57,122	62,040
Other non-current assets	23	37,797	6,145	2,464
Total non-current assets		5,062,256	5,390,356	5,658,751
CURRENT ASSETS				
Inventories	24	429,866	363,369	425,624
Trade and bills receivables	25	174,840	129,741	187,512
Prepayments, other receivables and other assets	27	523,195	316,846	356,587
Due from related parties		1,207,755	2,281,000	3,011,142
Financial assets at fair value through profit or loss	21	253,005	204,004	280,406
Derivative financial instruments	22	43,150	77,174	6,811
Time deposits	28	2,369,640	463,299	127,510
Cash and cash equivalents	28	367,389	1,033,773	666,690
Total current assets		5,368,840	4,869,206	5,062,282
CURRENT LIABILITIES				
Trade and bills payables	29	6,516	13,672	6,676
Other payables and accruals	30	114,713	207,365	191,457
Contract liabilities	31	—	6,690	5,625
Interest-bearing bank and other borrowings	32	1,361,048	1,032,400	3,012,232
Tax payable		11,396	52,401	18,795
Due to related parties		120,285	1,509,833	145,488
Lease liabilities	36	1,401	2,086	4,591
Total current liabilities		1,615,359	2,824,447	3,384,864
NET CURRENT ASSETS		3,753,481	2,044,759	1,677,418
TOTAL ASSETS LESS CURRENT LIABILITIES		8,815,737	7,435,115	7,336,169
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	992,787	1,539,888	1,185,935
Deferred income	33	10,254	4,664	4,147
Deferred tax liabilities	34	10,642	—	—
Lease liabilities	36	20,146	19,618	32,641
Total non-current liabilities		1,033,829	1,564,170	1,222,723
Net assets		7,781,908	5,870,945	6,113,446
EQUITY				
Equity attributable to owners of the parent				
Share capital	37	1,247,202	1,247,202	1,247,202
Reserves	38	6,534,706	4,623,743	4,866,244
Total equity		7,781,908	5,870,945	6,113,446

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

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

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
ÓÇ •3*Ü Þ"®! Chengdu Sunrace Co., Ltd*	(a)	PRC/Mainland China 19 November 2009	RMB 200,000,000	96%	—	Production and sale of heparin sodium
†•8[J¦"Þ"®! Shandong Ruisheng Biotechnology Co., Ltd*	(a)	PRC/Mainland China 15 July 2010	RMB 30,000,000	100%	—	Production and sale of heparin sodium
-qJ8M#Þ"®! Shenzhen Penghe Property Management Co., Ltd*	(a)	PRC/Mainland China 13 June 2011	RMB 132,000,000	55%	—	Property management operation
-9{†- w•¹8Þ"®! Shenzhen Hongshan New District Hepalink Pharmaceutical Co., Ltd*	(a)	PRC/Mainland China 29 July 2013	RMB 120,000,000	100%	—	Biopharmaceutical production; biopharmaceutical services; and biopharmaceutical R&D
-9Cp³ï•Þ"®! Shenzhen Dekang Investment Development Co., Ltd*	(a)	PRC/Mainland China 23 March 2015	RMB 10,000,000	100%	—	Equity investment investment management and consulting
-9•þ[J¦"Þ"®! Shenzhen Fanpu Biotechnology Co., Ltd.*	(a)	PRC/Mainland China 25 February 2015	RMB 1,000,000	66%	—	Biopharmaceutical technology development and consulting
w•€0¥•Þ"®! Hepalink €Hong Kong• Limited*	(b)	Hong Kong 23 November 2010	HK 330,221,445	100%	—	Investment holding; trading of medical products
Hepalink Europe AB	(g)	Sweden 1 February 2010	SEK100,000	—	100%	Investment holding

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hepalink USA INC.	(g)	USA 25 October 2013	10,000 shares	100%	—	Production and sale of active pharmaceutical ingredients
SPL Acquisition Corp. ("SPL")	(c)	USA 13 July 2006	500,000 shares	—	100%	Production of active pharmaceutical ingredients; manufacture of pancreatin
Scientific Protein Laboratories LLC	(g)	USA 22 January 2004	1,000 shares	—	100%	Biopharmaceutical production and sales
Mobren Logistics L.L.C.	(g)	USA 22 December 2003	1 share	—	100%	Biopharmaceutical production and sales
Mobren Transport Inc.	(g)	USA 23 December 1997	1,000 shares	—	100%	Biopharmaceutical production and sales
Novahealth Biosystems, LLC	(g)	USA 24 March 2016	1 share	—	100%	Biopharmaceutical R&D
Pharma Bridge International LLC	(g)	USA 28 November 2012	1 share	—	100%	Biopharmaceutical sales
SPL Distribution Holdings LLC	(g)	USA 26 December 2017	1 share	—	100%	Biopharmaceutical sales
SPL Distribution LLC	(g)	USA 26 December 2017	1 share	—	100%	Biopharmaceutical sales
Cytovance Biologics,Inc	(c)	USA 19 September 2005	5,000 shares	—	100%	Biopharmaceutical contract manufacturing and development
-9 ®óÅÅ¦šïÞ"®! Shenzhen Baidi Aoke Technology Development Co., Ltd.*	(a)	PRC/Mainland China 19 July 2002	RMB 10,000,000	100%	—	Biopharmaceutical technology development
-D lpÆ³ ?–¥«† 8€Þ"¥«• Shenzhen Maple Sea Capital Equity Investment Fund Partnership (Limited Partnership)*	(g)	PRC/Mainland China 10 April 2015	RMB 250,000,000	99%	—	Equityinvestment; venture investment; investment consulting and management
-û•[J<¹¦"Þ"®! Shenzhen OncoVent Co., Ltd.*	(a)	PRC/Mainland China 26 July 2016	USD9,259,300	54%	—	Biopharmaceutical R&D

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
OncoVent USA Inc.	(g)	USA 11 August 2016	20,000 shares	—	54%	Biopharmaceutical R&D
- 9 • [J < ¹ Þ " ® ! Shenzhen Aimeb Biomedical Co., Ltd.*	(d)	PRC/Mainland China 2 July 2018	USD14,117,647	51%	—	Biopharmaceutical production, sales and R&D
Aimab USA Inc.	(f)	USA 10 December 2018	100 shares	—	51%	Biopharmaceutical R&D
- 9 µ w € ¼ 8 ï • Þ " ® ! Shenzhen Topknow Industrial Development Co., Ltd.*	(e)	PRC/Mainland China 7 June 2000	RMB 230,000,000	100%	—	Biopharmaceutical R&D
- 9 Â 8 < ¹ Þ " ® ! Shenzhen Techdow Pharmaceutical Co., Ltd.*	(e)	PRC/Mainland China 29 June 2004	RMB 150,000,000	—	100%	Biopharmaceutical R&D
Techdow (Hong Kong) Limited	(b)	Hong Kong 22 May 2013	HK 233,960,000	—	100%	Investment holding; trading of medical products
Techdow Europe AB	(g)	Sweden 12 June 2014	SEK100,000	—	100%	Trading of medical products
Á Å € j • < ¹ Å ¦ Þ " ® ! Histar (Shanghai) Co., Ltd.*	(a)	PRC/Mainland China 5 March 2012	RMB1,000,000	—	100%	Provision of services on pharmaceutical related activities
Techdow Pharma Poland Sp.zo.o.	(g)	Poland 12 October 2016	PLN50,000	—	100%	Trading of medical products
Techdow Pharma Netherlands B.V.	(g)	Netherlands 6 June 2017	EUR480	—	100%	Trading of medical products
TD Pharma B.V.	(g)	Netherlands 22 November 2016	EUR480	—	100%	Investment holding
Techdow Pharma England Limited	(g)	England 6 December 2016	EUR1,000	—	100%	Trading of medical products
Techdow Pharma Spain, S.L.	(g)	Spain 23 January 2017	EUR3,000	—	100%	Trading of medical products
Techdow Pharma Germany GmbH	(g)	Germany 13 December 2016	EUR25,000	—	100%	Trading of medical products
Techdow Pharma Italy S.R.L.	(g)	Italy 4 April 2017	EUR10,000	—	100%	Trading of medical products
Techdow Pharma France SARL	(g)	France 5 June 2017	EUR5,000	—	100%	Trading of medical products
Techdow Pharma Switzerland GmbH	(g)	Switzerland 23 March 2017	CHF20,000	—	100%	Trading of medical products

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2017 and 2018 prepared in accordance with PRC accounting principles and regulations were audited by Rui Hua Certified Public Accountants, a certified public accounting firm registered in the PRC.

(b) The statutory financial statements of these entities for the years ended 31 December 2017 and 2018 prepared in accordance with Hong Kong Financial Reporting Standards were audited by CH CPA & Co., a certified public accounting firm registered in Hong Kong.

(c) The statutory financial statements of SPL Acquisition Corp. and Cytovance Biologics, Inc. for the years ended 31 December 2017 and 2018 prepared in accordance with the accounting principles generally accepted in the United States of America (the "US GAAP") were audited by RSM US LLP, a certified public accountant registered in the USA.

(d) The entity was established in 2018. The statutory financial statements for the period from their respective dates of establishment to 31 December 2018 prepared in accordance with PRC accounting principles and regulations were audited by Rui Hua Certified Public Accountants, a certified public accounting firm registered in the PRC.

(e) These entities have not appointed an auditor to issue statutory financial statements for the year ended 31 December 2017. The statutory financial statements of these entities for the year ended 31 December 2018 prepared in accordance with PRC accounting principles and regulations were audited by Rui Hua Certified Public Accountants, a certified public accounting firm registered in the PRC.

(f) The entity was established in 2018 and the entity has not appointed an auditor to issue statutory financial statements for the year ended 31 December 2018.

(g) These entities have not appointed auditors to issue statutory financial statements for the years ended 31 December 2017 and 2018.

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

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

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
ÓÇ9 ·¹8Þ"®! Chengdu Hepatunn Pharmaceutical Co., Ltd*	Mainland China 7 December 2010	RMB 40,000,000	85%	—	Biopharmaceutical production, sales and R&D
Highlide Therapeutics, Inc	Cayman Islands 28 February 2018	USD 50,000	55%	—	Biopharmaceutical R&D
Highlide Therapeutics (Hong Kong) Limited	Hong Kong 9 April 2018	1 share	—	55%	Biopharmaceutical R&D
Highlide Therapeutics	British Virgin Islands 16 March 2018	100 shares	—	55%	Biopharmaceutical R&D
-QË [J¦"Þ"®! Shenzhen Highlide Biopharmaceutical Co., Ltd*	Mainland China 15 November 2011	RMB 42,000,000	—	55%	Biopharmaceutical R&D
jQË [J¦"Þ"®! Shanghai Highlide Biopharmaceutical Co., Ltd*	Mainland China 14 March 2014	RMB 5,000,000	—	55%	Biopharmaceutical R&D
Highlide Biopharma Pty Ltd.	Australia 11 June 2015	AUD 1,000	—	55%	Biopharmaceutical R&D
-QËp[J¦"Þ"®! Shenzhen Junshengkang Biopharmaceutical Co., Ltd.*	Mainland China 21 July 2015	RMB 5,000,000	—	55%	Biopharmaceutical R&D

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

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

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

2.1 BASIS OF PREPARATION

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

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

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.1 BASIS OF PREPARATION—continued

Basis of consolidation„continued

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS—continued

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method except for business combination under common control. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Business combinations and goodwill—continued

and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Related parties—continued

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Buildings	2.375%-4.75%
Machine equipment	19%-9.5%
Motor vehicles	19%-9.5%
Other equipment	19%-9.5%
Leasehold improvements	2.5%-33.3%

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Property, plant and equipment and depreciation—continued

capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Otherintangible assets (other than goodwill)

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

Otherintangible assets with indefinite useful lives are tested forimpairment annually either individually or at the cash-generating unit level. Such otherintangible assets are not amortized. The useful life of otherintangible assets with anindefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment fromindefinite to finitei s accounted for on a prospective basis.

Patents and licences

Purchased patents and licences are stated at cost less anyimpairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 to 15 years.

Computer software

Acquired computer softwarei s stated at historical cost less amortization. Acquired computer softwarei s capitalized on the basis of the costsincurred to acquire and bring to use the specific software, andi s amortized on a straight-line basis over the useful life of 5 years.

Trademarks

Trademarks areinitially recognized and measured at costsincurred to register. The costs are amortized on the straight-line basis over their estimated useful lives of 5 years.

Proprietary technologies

Proprietary technologiesinvested by minority shareholders are recognized at fair vales assessed at theinvestment day or cost of getting the medicine licences from the related authorities. Proprietary technologies are amortised on the straight-line basis over the respective estimated useful lives of 20-30 years, and the useful lives of the proprietary technologies are assessed by the Group after considering the useful lives of similar technologies and the market condition.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Other intangible assets (other than goodwill)—continued

Brands

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

Customer relationships

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

Research and development costs

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

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

Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Leases—continued

Lease liabilities continued

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered of low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease terms.

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Financial assets

Initial recognition and measurement

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial assets—continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

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

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

Derecognition of financial assets

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

— The rights to receive cash flows from the asset have expired; or

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment of financial assets—continued

General approach continued

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

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial liabilities—continued

Subsequent measurement

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

(i) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

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

(ii) Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Derivative financial instruments

Initial recognition and subsequent measurement

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Income tax—continued

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Sale of products

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

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

(b) Contract development and manufacturing organization ("CDMO") services

The Group earns revenues by providing research services to its customers through Fee-for-service ("FFS") contracts. Contract duration ranges from a few months to years. Under the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

Revenue from contracts with customers continued

FFS model, the contracts usually have multiple task units, which are generally in the form of technical laboratory reports and/or samples, each of which is with an individual selling price specified within the contract. The Group identifies each task unit as a separate performance obligation. The revenue is recognized over time, as the Group's performance has created an asset with no alternative use and the Group has an enforceable right for payments for performance completed to date. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using cost-to-cost (input method).

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

The Group also engages in contracts by the commercial manufacture and sale of products under customers' specific order. The Group recognised revenue at a point in time upon acceptance of the deliverable products under customers' specific order.

Other income

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

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Employee Benefits

Share-based payments

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

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

Cash-settled scheme

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

Pension scheme

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

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

Housing fund Mainland China

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Employee Benefits—continued

Defined benefit retirement plan obligations

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

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognized in profit or loss and allocated by function as part of "cost of sales", "selling and distribution expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to the past service provided by employees, or the gain or loss on curtailment, is recognized as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognized. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

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

Borrowing costs

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

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Foreign currencies

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

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

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Determining the timing of satisfaction of performance obligations

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

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

Determining the method for measuring progress towards complete satisfaction of performance obligations

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2017, 2018 and 30 September 2019 were RMB2,205,705,000, RMB2,316,763,000, and RMB2,387,550,000, respectively. Further details are given in note 16 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES—continued

Estimation uncertainty—continued

Post-employment benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Discount rate is one of the assumptions used in determining the net cost (income) for pensions. Any changes in these assumptions will impact the carrying amount of pension obligations.

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

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

Provision for expected credit losses of trade and other receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in notes 25 and 27 to the Historical Financial Information, respectively.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognized tax losses at 31 December 2017 and 2018 and 30 September 2019 were RMB76,694,000, RMB26,079,000, and RMB17,587,000,

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES—continued

Estimation uncertainty—continued

Deferred tax assets continued

respectively. The amounts of unrecognized tax losses at 31 December 2017 and 2018 and 30 September 2019 were RMB224,864,000, RMB336,923,000, and RMB551,750,000, respectively. Further details are given in note 34 to the Historical Financial Information.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 48 to the Historical Financial Information. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level I, II and III. The fair values of the unlisted equity investments at 31 December 2017, 2018 and 30 September 2019 were RMB1,012,563,000, RMB1,435,730,000 and RMB1,867,654,000, respectively. Further details are given in note 20 and 21 to the Historical Financial Information.

Development costs

Development costs are capitalized in accordance with the accounting policy for research and development costs as detailed in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, the discount rates to be applied and the expected period of benefits. The best estimates of the carrying amount of capitalised development costs at 31 December 2017 and 2018 and 30 September 2019 were RMB12,644,000, RMB15,376,000 and RMB2,233,000, respectively.

4. OPERATING SEGMENT INFORMATION

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

(a) The finished dose pharmaceutical products segment includes enoxaparin sodium injection and standard heparin sodium injection.

(b) The active pharmaceutical ingredients segment includes standard heparin sodium active pharmaceutical ingredients, and enoxaparin sodium active pharmaceutical ingredients.

(c) The CDMO segment includes R&D, manufacturing, quality management and program management.

(d) The "others" segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

consistently with the Group's profit before tax except that other income and gains, selling and distribution expenses, administrative expenses, impairment losses on financial assets, other expenses, finance costs and share of profits and losses of associates are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

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

Segment revenue and results

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

For the year ended 31 December 2017

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Segment revenue and results—continued

For the year ended 31 December 2018

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Segment revenue and results—continued

For the nine months ended 30 September 2019 (unaudited)

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Segment revenue:					
Sales to external customers	720,891	1,690,020	503,161	218,099	3,132,171
Intersegment sales	709,748	769,446	4,110	179,151	1,662,455
	1,430,639	2,459,466	507,271	397,250	4,794,626
Reconciliation:					
Elimination of intersegment sales					(1,662,455)
Revenue from contracts with customers					3,132,171
Segment results:	344,153	646,753	132,447	24,438	1,147,791
Reconciliation:					
Elimination of intersegment results					(85,203)
Other income and gains					740,238
Selling and distribution expenses					(292,569)
Administrative expenses					(365,580)
Impairment losses on financial assets					(14,676)
Other expenses					(477)
Finance costs					(200,693)
Share of profits and losses of associates					(41,797)
Group's profit before tax					887,034

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Geographical information—continued

(b) Non-current assets

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Mainland China	2,246,708	2,594,544	3,351,440
United States of America	3,548,982	3,667,148	3,726,523
Europe	172,217	188,928	183,228

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

Information about major customers

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

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

During the nine months ended 30 September 2018, revenue of approximately RMB1,304,004,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the nine months ended 30 September 2019, revenue of approximately RMB896,310,000 derived from a single external customer accounted for more than 10% of the total revenue.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE—continued

Revenue from contracts with customers—continued

(i) Disaggregated revenue information—continued

For the year ended 31 December 2018

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Type of goods or services					
Sale of products	1,045,643	2,752,386	—	385,403	4,183,432
CDMO services	—	—	548,469	—	548,469
Others	—	—	—	67,906	67,906
Total revenue from contracts with customers	1,045,643	2,752,386	548,469	453,309	4,799,807
Geographical markets					
Hong Kong	2,187	32,722	—	—	34,909
United States of America	—	24,190	512,596	267,929	804,715
Europe	754,660	2,153,640	—	29,407	2,937,707
Mainland China	269,880	23,277	—	149,442	442,599
Other countries/regions	18,916	518,557	35,873	6,531	579,877
Total revenue from contracts with customers	1,045,643	2,752,386	548,469	453,309	4,799,807
Timing of revenue recognition					
Products transferred at a point in time	1,045,643	2,752,386	—	385,403	4,183,432
Services transferred at a point in time	—	—	2,783	26,172	28,955
Services transferred over time	—	—	545,686	41,734	587,420
Total revenue from contracts with customers	1,045,643	2,752,386	548,469	453,309	4,799,807

For the nine months ended 30 September 2019

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Type of goods or services					
Sale of products	720,891	1,690,020	—	193,398	2,604,309
CDMO services	—	—	503,161	—	503,161
Others	—	—	—	24,701	24,701
Total revenue from contracts with customers	720,891	1,690,020	503,161	218,099	3,132,171
Geographical markets					
Hong Kong	729	10,712	—	—	11,441
United States of America	—	85,085	464,788	118,782	668,655
Europe	561,198	1,310,337	—	24,847	1,896,382
Mainland China	142,609	55,727	—	59,165	257,501
Other countries /regions	16,355	228,159	38,373	15,305	298,192
Total revenue from contracts with customers	720,891	1,690,020	503,161	218,099	3,132,171

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE—continued

Revenue from contracts with customers—continued

(i) Disaggregated revenue information—continued

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Timing of revenue recognition					
Products transferred at a point in time	720,891	1,690,020	—	193,398	2,604,309
Services transferred at a point in time	—	—	17,088	5,184	22,272
Services transferred over time	—	—	486,073	19,517	505,590
Total revenue from contracts with customers	720,891	1,690,020	503,161	218,099	3,132,171

For the nine months ended 30 September 2018

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Type of goods or services					
Sale of products	605,142	2,003,884	—	310,762	2,919,788
CDMO services	—	—	356,542	—	356,542
Others	—	—	—	30,418	30,418
Total revenue from contracts with customers	605,142	2,003,884	356,542	341,180	3,306,748
Geographical markets					
Hong Kong	2,187	16,379	—	—	18,566
United States of America	—	39,195	325,705	210,427	575,327
Europe	414,053	1,622,369	—	30,418	2,066,840
Mainland China	174,386	26,701	—	91,905	292,992
Other countries/regions	14,516	299,240	30,837	8,430	353,023
Total revenue from contracts with customers	605,142	2,003,884	356,542	341,180	3,306,748
Timing of revenue recognition					
Products transferred at a point in time	605,142	2,003,884	—	310,762	2,919,788
Services transferred at a point in time	—	—	6,555	1,710	8,265
Services transferred over time	—	—	349,987	28,708	378,695
Total revenue from contracts with customers	605,142	2,003,884	356,542	341,180	3,306,748

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE—continued

Revenue from contracts with customers—continued

(i) Disaggregated revenue information—continued

The following table shows the amounts of revenue recognized during the Relevant Periods and nine months ended 30 September 2018 that were included in the contract liabilities at the beginning of each reporting period and recognized from performance obligations satisfied in previous periods:

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue recognized that was included in the contract liabilities balance at the beginning of year/period:				
Sale of products	7,503	12,730	11,803	9,177
CDMO services	97,414	108,346	106,899	208,418
	104,917	121,076	118,702	217,595

(ii) Performance obligations

Sale of products

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

CDMO services

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

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

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

	As at 31 December		As at 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Within one year	24,884	47,852	213,090	249,495

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. OTHER INCOME AND GAINS

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Other income				
Bank interest income	137,740	69,456	50,568	40,170
Government grants related to				
-Assets*	2,298	2,242	1,690	1,588
-Income**	40,190	31,581	19,641	26,433
Dividend income from financial assets at fair value through profit or loss	781	36,823	25,353	643
Dividend income from financial assets designated at fair value through other comprehensive income	—	3,694	—	16,449
	181,009	143,796	97,252	85,283
Other gains				
Foreign exchange gain/(losses), net	(49,584)	70,545	105,098	23,954
Gains on disposal of financial assets at fair value through profit or loss	26,363	13,917	12,385	1,456
Fair value gains, net:	43,029	38,681	70,960	49,979
Fair value gains/(losses) on derivative instruments (note 22)	(3,728)	30,490	38,742	(101,241)
Fair value gains on financial assets at fair value through profit or loss (note 21)	46,757	8,191	32,218	151,220
Gain on disposal of a subsidiary (note 42)	—	28,766	28,766	—
Gain on deemed disposal of a subsidiary (note 42)	—	—	—	573,865
Gains/(losses) on disposal of items of property, plant and equipment	(383)	2,304	18	1,792
Others	9,267	10,141	3,298	3,909
	28,692	164,354	220,525	654,955
	209,701	308,150	317,777	740,238

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

** The government grants and subsidies related to income have been received to compensate for the Group's research and development costs. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized in the statement of profit or loss on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Details of these grants are set out in note 33.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

7. PROFIT BEFORE TAX

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

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cost of inventories sold	1,683,221	2,436,552	1,713,705	1,698,918
Cost of services provided	293,221	489,723	323,864	370,665
Depreciation of property, plant and equipment	139,557	157,632	116,095	146,492
Depreciation of right-of-use assets	37,291	41,251	27,320	29,180
Amortisation of other intangible assets	45,559	51,799	30,487	39,401
Research and development costs*	93,541	186,853	116,546	112,881
Auditor's remuneration	3,465	2,743	2,743	2,940
Employee benefit expense (including directors' and supervisors' remuneration)				
Salaries and other benefits	457,809	605,527	435,821	518,272
Pension scheme contributions, social welfare and other welfare	72,444	118,025	75,861	88,417
Rental expenses from short-term leases	1,087	1,089	817	1,495
Bank interest income	(137,740)	(69,456)	(50,568)	(40,170)
Finance costs	183,268	229,207	170,519	200,693
Dividend income from financial assets at fair value through profit or loss	(781)	(36,823)	(25,352)	(643)
Dividend income from financial assets at fair value through other comprehensive income	—	(3,694)	—	(16,449)
Foreign exchange losses/(gains), net	49,584	(70,545)	(105,098)	(23,954)
Gains on disposal of financial assets at fair value through profit or loss	(26,363)	(13,917)	(12,385)	(1,456)
Fair value losses/(gains) on derivative instruments	3,728	(30,490)	(38,742)	101,241
Fair value gains on financial assets at fair value through profit or loss	(46,757)	(8,191)	(32,218)	(151,220)
Gain on disposal of a subsidiary	—	(28,766)	(28,766)	—
Gain on deemed disposal of a subsidiary	—	—	—	(573,865)
Losses/(gains) on disposal of items of property, plant and equipment	383	(2,304)	(18)	(1,792)
Impairment losses on financial assets	10,884	12,454	13,404	14,676

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. DIRECTORS' AND SUPERVISORS' REMUNERATION—continued

(b) Executive directors and supervisors

Year ended 31 December 2017	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Li	1,414	—	36	1,450
Ms. Li Tan	905	—	36	941
Mr. Shan Yu	2,130	—	36	2,166
Mr. Bu Hai hua	723	—	36	759
Supervisors				
Mr. Zheng Zehui	100	—	—	100
Mr. Tang Haijun	307	—	36	343
Ms. Su Jilan	195	—	31	226
	5,774	—	211	5,985

Year ended 31 December 2018	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Li	2,495	965	40	3,500
Ms. Li Tan	1,808	263	40	2,111
Mr. Shan Yu	1,214	447	40	1,701
Mr. Bu Hai hua	912	289	40	1,241
Supervisors				
Mr. Zheng Zehui	100	—	—	100
Mr. Tang Haijun	320	26	40	386
Ms. Su Jilan	239	21	31	291
	7,088	2,011	231	9,330

Nine months ended 30 September 2018	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Executive directors				
Mr. Li Li	858	—	30	888
Ms. Li Tan	510	—	30	540
Mr. Shan Yu	556	—	30	586
Mr. Bu Hai hua	538	—	30	568
Supervisors				
Mr. Zheng Zehui	75	—	—	75
Mr. Tang Haijun	215	—	29	244
Ms. Su Jilan	151	—	23	174
	2,903	—	172	3,075

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. DIRECTORS' AND SUPERVISORS' REMUNERATION—continued

(b) Executive directors and supervisors—continued

Nine months ended 30 September 2019	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Executive directors				
Mr. Li Li	910	—	26	936
Ms. Li Tan	562	—	26	588
Mr. Shan Yu	545	—	26	571
Mr. Bu Hai hua	464	—	26	490
Supervisors				
Mr. Zheng Zehui	75	—	—	75
Mr. Tang Haijun	223	—	27	250
Ms. Su Jilan	178	—	23	201
	2,957	—	154	3,111

Note:

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

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

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

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods and nine months ended 30 September 2018.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods and nine months ended 30 September 2018 included 0, 1, 1, 0 director, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the 5, 4, 4, 5 highest paid employees who are neither a director of the Group during the Relevant Periods and nine months ended 30 September 2018 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	21,787	14,470	7,835	11,174
Performance related bonuses	—	1,631	—	—
Pension scheme contributions	198	737	569	653
	21,985	16,838	8,404	11,827

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. FIVE HIGHEST PAID EMPLOYEES—continued

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

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
			(Unaudited)	(Unaudited)
Nil to HK$1,000,000	—	—	—	—
HK$1,000,001 to HK$1,500,000	—	—	—	—
HK$1,500,001 to HK$2,000,000	—	—	1	—
HK$2,000,001 to HK$2,500,000	—	—	1	2
HK$2,500,001 to HK$3,000,000	—	—	1	1
HK$3,000,001 to HK$3,500,000	1	—	1	2
HK$3,500,001 to HK$4,000,000	—	1	—	—
HK$4,000,001 to HK$4,500,000	1	—	—	—
HK$4,500,001 to HK$5,000,000	—	1	—	—
HK$5,000,001 to HK$5,500,000	1	1	—	—
HK$5,500,001 to HK$6,000,000	1	—	—	—
HK$6,000,001 to HK$6,500,000	—	1	—	—
HK$6,500,001 to HK$7,000,000	—	—	—	—
HK$7,000,001 to HK$7,500,000	1	—	—	—
	5	4	4	5

During the Relevant Periods and nine months ended 30 September 2018, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

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

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

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

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

The group entities incorporated in USA are subject to the federal corporate tax rate at a range from 15%-39% for the years ended 31 December 2017. On 22 December 2017, the 2017 Tax Cuts and

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. INCOME TAX—continued

Jobs Act was enacted, which reduces the federal corporate tax rate to 21% from the range of 15%-39% and is effective on 1 January 2018. The state income tax rate remains at a range from 1% to 9.5% during the Relevant Periods and nine months ended 30 September 2018.

The group entity incorporated in Singapore is subject to the corporate income tax rate of 17% during the Relevant Periods and nine months ended 30 September 2018.

The group entities incorporated in Sweden are subject to the corporate income tax rate of 22% during the Relevant Periods and nine months ended 30 September 2018.

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

The group entity incorporated in Poland is subject to the corporate income tax rate of 19% during the Relevant Periods and nine months ended 30 September 2018.

The group entities incorporated in Netherland are subject to the corporate income tax rate of 20% for taxable income that do not excess the amount of EUR 200,000 and if the taxable income excess the amount of EUR 200,000, the tax rate of 25% should apply to the part that excess the amount of EUR 200,000 during the Relevant Periods and nine months ended 30 September 2018.

The group entity incorporated in the United Kingdom is entitled to the tax rate at 20% before 1 April 2017. The tax rate reduced from 20% to 19% from April 2017. The tax rate remains at 19% during the remaining Relevant Periods and nine months ended 30 September 2018.

The group entity incorporated in Spain is subject to the corporate income tax rate of 25% during the Relevant Periods and nine months ended 30 September 2018.

The group entity incorporated in Italy is subject to the corporate income tax rate of 24% and Imposta regionale sulle attività produttive ("IRAP") tax rate of 3.9% during the Relevant Periods and the nine months ended 30 September 2018.

The group entity incorporated in France is subject to the corporate income tax rate of 28% for taxable income that do not excess the amount of EUR500,000 and if the taxable income excesses the amount of EUR500,000 the tax rate of 33.33% should apply to the part that excess the amount of EUR500,000 during the Relevant Periods and the nine months ended 30 September 2018.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. INCOME TAX—continued

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

	Year ended 31 December				Nine months ended 30 September			
	2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Profit before tax	157,085		765,207		584,869		887,034	
Tax at the statutory tax rate	25,713	16%	173,945	23%	132,661	23%	200,049	23%
Lower tax rate for specific provinces or enacted by local authority	(38,174)	(24%)	(62,117)	(8%)	(53,095)	(9%)	(89,258)	(10%)
Effect on opening deferred tax of decrease in rates	(89,727)	(57%)	—	—	—	—	—	—
Adjustments in respect of current tax of previous periods	(1,220)	(1%)	(1,571)	0%	(304)	0%	133	0%
Income not subject to tax	—	—	(7,224)	(1%)	(4,219)	(1%)	—	—
Expenses not deductible for tax	945	1%	335	0%	264	0%	724	0%
Utilization of previously unrecognized tax losses	(4,818)	(3%)	(3,538)	0%	(229)	0%	(28,909)	(3%)
Tax losses and temporary difference not recognized	28,173	18%	54,151	7%	42,439	7%	67,297	8%
Super deduction for research and development expenses	(4,699)	(3%)	(7,986)	(1%)	(3,123)	(1%)	(9,573)	(1%)
Others	—	—	2,249	0%	1,030	0%	(2,402)	0%
Tax (credit)/charge at the Group's effective rate	(83,807)	(53%)	148,244	19%	115,424	20%	138,061	16%

12. DIVIDENDS

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Dividends declared by the Company	311,800	56,124	56,124	124,720

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

On 16 May 2018, the Company's shareholders approved the 2017 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB 56,124,000 (inclusive of tax)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. DIVIDENDS—continued

were subsequently paid in June 2018 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2017 profit distribution plan, which amounted to a dividend of RMB0.45 (inclusive of tax) for every 10 shares of the Company.

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

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods and the nine months ended 30 September 2018 as adjusted to reflect the subsequent changes in capital at nil consideration.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the nine months ended 30 September 2018.

The calculation of basic earnings per share is based on:

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'00 (Unaudited)	RMB'00 (Unaudited)
Earnings				
Profit attributable to ordinary equity holders of the parent	238,904	640,194	479,041	763,586

	Number of shares			
	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
			(Unaudited)	(Unaudited)
Number of shares				
Weighted average number of ordinary shares in issue during the year/ period, used in the basic earnings per share calculation	1,247,201,704	1,247,201,704	1,247,201,704	1,247,201,704

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Machine equipment	Motor vehicles	Other equipment	Land	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017								
At 1 January 2017:								
Cost	736,930	738,180	41,900	55,190	30,154	118,915	388,856	2,110,125
Accumulated depreciation	(121,729)	(228,848)	(24,152)	(26,667)	—	(17,626)	—	(419,022)
Net carrying amount	615,201	509,332	17,748	28,523	30,154	101,289	388,856	1,691,103
At 1 January 2017, net of accumulated depreciation	615,201	509,332	17,748	28,523	30,154	101,289	388,856	1,691,103
Additions	4,721	33,815	12	1,949	3,249	2,416	521,436	567,598
Disposals	(485)	(361)	(642)	(190)	(181)	—	—	(1,859)
Depreciation provided during the year	(29,454)	(88,070)	(4,246)	(11,058)	—	(6,729)	—	(139,557)
Transfers	56,712	56,324	8,003	6,695	—	—	(127,734)	—
Exchange realignment	(7,136)	(10,958)	(1,135)	(358)	(1,855)	—	(15,552)	(36,994)
At 31 December 2017, net of accumulated depreciation	639,559	500,082	19,740	25,561	31,367	96,976	767,006	2,080,291
At 31 December 2017:								
Cost	789,241	804,758	40,424	59,973	31,367	121,331	767,006	2,614,100
Accumulated depreciation	(149,682)	(304,676)	(20,684)	(34,412)	—	(24,355)	—	(533,809)
Net carrying amount	639,559	500,082	19,740	25,561	31,367	96,976	767,006	2,080,291

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings	Machine equipment	Motor vehicles	Other equipment	Land	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018								
At 1 January 2018:								
Cost	789,241	804,758	40,424	59,973	31,367	121,331	767,006	2,614,100
Accumulated depreciation	(149,682)	(304,676)	(20,684)	(34,412)	—	(24,355)	—	(533,809)
Net carrying amount	639,559	500,082	19,740	25,561	31,367	96,976	767,006	2,080,291
At 1 January 2018, net of accumulated depreciation	639,559	500,082	19,740	25,561	31,367	96,976	767,006	2,080,291
Additions	—	1,903	871	958	—	9,571	596,641	609,944
Disposals	—	(331)	(20)	(114)	—	—	—	(465)
Disposal of a subsidiary	(314)	(9,005)	(38)	(189)	—	(2,339)	—	(11,885)
Depreciation provided during the year	(40,357)	(93,472)	(4,362)	(12,165)	—	(7,276)	—	(157,632)
Transfers	481,818	134,237	5,682	10,273	—	—	(632,010)	—
Exchange realignment	6,535	10,823	970	471	1,579	2	13,606	33,986
At 31 December 2018, net of accumulated depreciation	1,087,241	544,237	22,843	24,795	32,946	96,934	745,243	2,554,239
At 31 December 2018:								
Cost	1,278,723	940,353	48,110	70,912	32,946	127,013	745,243	3,243,300
Accumulated depreciation	(191,482)	(396,116)	(25,267)	(46,117)	—	(30,079)	—	(689,061)
Net carrying amount	1,087,241	544,237	22,843	24,795	32,946	96,934	745,243	2,554,239

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings	Machine equipment	Motor vehicles	Other equipment	Land	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
30 September 2019								
At 1 January 2019:								
Cost	1,278,723	940,353	48,110	70,912	32,946	127,013	745,243	3,243,300
Accumulated depreciation	(191,482)	(396,116)	(25,267)	(46,117)	—	(30,079)	—	(689,061)
Net carrying amount	1,087,241	544,237	22,843	24,795	32,946	96,934	745,243	2,554,239
At 1 January 2019, net of accumulated depreciation	1,087,241	544,237	22,843	24,795	32,946	96,934	745,243	2,554,239
Additions	17,418	3,426	—	719	—	68	182,964	204,595
Disposals	—	(79)	—	(288)	—	—	—	(367)
Disposal of a subsidiary	—	(2,062)	—	(286)	—	(1,997)	(2,017)	(6,362)
Depreciation provided during the period	(39,820)	(90,369)	(3,037)	(8,197)	—	(5,069)	—	(146,492)
Transfers	59,603	197,627	378	5,564	—	—	(263,172)	—
Exchange realignment	5,654	10,543	560	429	1,007	(5)	3,695	21,883
At 30 September 2019, net of accumulated depreciation	1,130,096	663,323	20,744	22,736	33,953	89,931	666,713	2,627,496
At 30 September 2019:								
Cost	1,362,727	1,149,152	49,255	77,017	33,953	124,190	666,713	3,463,007
Accumulated depreciation	(232,631)	(485,829)	(28,511)	(54,281)	—	(34,259)	—	(835,511)
Net carrying amount	1,130,096	663,323	20,744	22,736	33,953	89,931	666,713	2,627,496

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

Company

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings	Machine equipment	Motor vehicles	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018							
At 1 January 2018:							
Cost	86,323	206,690	10,618	23,477	114,892	435,953	877,953
Accumulated depreciation	(21,917)	(101,470)	(9,474)	(17,075)	(22,987)	—	(172,923)
Net carrying amount	64,406	105,220	1,144	6,402	91,905	435,953	705,030
At 1 January 2018, net of accumulated depreciation	64,406	105,220	1,144	6,402	91,905	435,953	705,030
Additions	—	—	—	—	8,178	460,066	468,244
Disposals	—	(206)	—	(6)	—	—	(212)
Depreciation provided during the year	(11,557)	(16,795)	(231)	(2,686)	(6,147)	—	(37,416)
Transfers	454,326	2,815	—	682	—	(457,823)	—
At 31 December 2018, net of accumulated depreciation	507,175	91,034	913	4,392	93,936	438,196	1,135,646
At 31 December 2018:							
Cost	540,650	209,023	10,618	24,095	122,615	438,196	1,345,197
Accumulated depreciation	(33,475)	(117,989)	(9,705)	(19,703)	(28,679)	—	(209,551)
Net carrying amount	507,175	91,034	913	4,392	93,936	438,196	1,135,646

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings	Machine equipment	Motor vehicles	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)							
30 September 2019							
At 1 January 2019:							
Cost	540,650	209,023	10,618	24,095	122,615	438,196	1,345,197
Accumulated depreciation	(33,475)	(117,989)	(9,705)	(19,703)	(28,679)	—	(209,551)
Net carrying amount	507,175	91,034	913	4,392	93,936	438,196	1,135,646
At 1 January 2019, net of accumulated depreciation	507,175	91,034	913	4,392	93,936	438,196	1,135,646
Additions	—	1,132	—	170	—	89,458	90,760
Disposals	—	—	—	(14)	—	—	(14)
Depreciation provided during the period	(15,183)	(12,419)	(157)	(899)	(4,603)	—	(33,261)
Transfers	—	—	—	5	—	(5)	—
At 30 September 2019, net of accumulated depreciation	491,992	79,747	756	3,654	89,333	527,649	1,193,131
At 30 September 2019:							
Cost	540,650	210,153	10,618	24,135	122,615	527,649	1,435,820
Accumulated depreciation	(48,658)	(130,406)	(9,862)	(20,481)	(33,282)	—	(242,689)
Net carrying amount	491,992	79,747	756	3,654	89,333	527,649	1,193,131

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. RIGHT-OF-USE ASSETS

Group

	Properties	Equipment	Motor vehicles	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017					
At 1 January 2017:					
Cost	108,716	32,746	266	163,960	305,688
Accumulated depreciation	—	(7,577)	—	(25,488)	(33,065)
Net carrying amount	108,716	25,169	266	138,472	272,623
At 1 January 2017, net of accumulated depreciation	108,716	25,169	266	138,472	272,623
Additions	58,748	2,213	3,392	—	64,353
Depreciation provided during the year	(22,061)	(9,957)	(319)	(4,954)	(37,291)
Exchange realignment	(6,025)	(1,205)	88	—	(7,142)
At 31 December 2017, net of accumulated depreciation	139,378	16,220	3,427	133,518	292,543
At 31 December 2017:					
Cost	160,845	32,985	3,753	163,960	361,543
Accumulated depreciation	(21,467)	(16,765)	(326)	(30,442)	(69,000)
Net carrying amount	139,378	16,220	3,427	133,518	292,543

	Properties	Equipment	Motor vehicles	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018					
At 1 January 2018:					
Cost	160,845	32,985	3,753	163,960	361,543
Accumulated depreciation	(21,467)	(16,765)	(326)	(30,442)	(69,000)
Net carrying amount	139,378	16,220	3,427	133,518	292,543
At 1 January 2018, net of accumulated depreciation	139,378	16,220	3,427	133,518	292,543
Additions	2,078	—	3,188	—	5,266
Depreciation provided during the year	(26,633)	(8,390)	(1,274)	(4,954)	(41,251)
Exchange realignment	4,774	517	57	—	5,348
At 31 December 2018, net of accumulated depreciation	119,597	8,347	5,398	128,564	261,906
At 31 December 2018:					
Cost	169,306	34,646	7,015	163,960	374,927
Accumulated depreciation	(49,709)	(26,299)	(1,617)	(35,396)	(113,021)
Net carrying amount	119,597	8,347	5,398	128,564	261,906

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. RIGHT-OF-USE ASSETS—continued

	Properties	Equipment	Motor vehicles	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
30 September 2019					
At 1 January 2019:					
Cost	169,306	34,646	7,015	163,960	374,927
Accumulated depreciation	(49,709)	(26,299)	(1,617)	(35,396)	(113,021)
Net carrying amount	119,597	8,347	5,398	128,564	261,906
At 1 January 2019, net of accumulated depreciation	119,597	8,347	5,398	128,564	261,906
Additions	6,373	2,965	2,296	—	11,634
Depreciation provided during the period	(20,432)	(3,423)	(1,609)	(3,716)	(29,180)
Disposals	(982)	—	—	—	(982)
Exchange realignment	2,379	241	(58)	—	2,562
At 30 September 2019, net of accumulated depreciation	106,935	8,130	6,027	124,848	245,940
At 30 September 2019:					
Cost	174,700	38,764	9,249	163,960	386,673
Accumulated depreciation	(67,765)	(30,634)	(3,222)	(39,112)	(140,733)
Net carrying amount	106,935	8,130	6,027	124,848	245,940

Company

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. RIGHT-OF-USE ASSETS—continued

	Properties	Land use rights	Total
	RMB'000	RMB'000	RMB'000
31 December 2018			
At 1 January 2018:			
Cost	23,499	114,191	137,690
Accumulated depreciation	(2,387)	(20,312)	(22,699)
Net carrying amount	21,112	93,879	114,991
At 1 January 2018, net of accumulated depreciation	21,112	93,879	114,991
Additions	2,170	—	2,170
Depreciation provided during the year	(2,406)	(3,742)	(6,148)
At 31 December 2018, net of accumulated depreciation	20,876	90,137	111,013
At 31 December 2018:			
Cost	25,669	114,191	139,860
Accumulated depreciation	(4,793)	(24,054)	(28,847)
Net carrying amount	20,876	90,137	111,013

	Properties	Land use rights	Total
	RMB'000	RMB'000	RMB'000
(Unaudited)			
30 September 2019			
At 1 January 2019:			
Cost	25,669	114,191	139,860
Accumulated depreciation	(4,793)	(24,054)	(28,847)
Net carrying amount	20,876	90,137	111,013
At 1 January 2019, net of accumulated depreciation	20,876	90,137	111,013
Additions	17,311	—	17,311
Depreciation provided during the period	(2,012)	(2,807)	(4,819)
At 30 September 2019, net of accumulated depreciation	36,175	87,330	123,505
At 30 September 2019:			
Cost	42,980	114,191	157,171
Accumulated depreciation	(6,805)	(26,861)	(33,666)
Net carrying amount	36,175	87,330	123,505

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL

	RMB'000
At 1 January 2017:	
Cost	2,341,675
Accumulated impairment	—
Net carrying amount	2,341,675
Cost at 1 January 2017, net of accumulated impairment	2,341,675
Impairment during the year	—
Exchange realignment	(135,970)
Cost and net carrying amount at 31 December 2017	2,205,705
At 31 December 2017:	
Cost	2,205,705
Accumulated impairment	—
Net carrying amount	2,205,705
Cost at 1 January 2018, net of accumulated impairment	2,205,705
Impairment during the year	—
Exchange realignment	111,058
Cost and net carrying amount at 31 December 2018	2,316,763
At 31 December 2018:	
Cost	2,316,763
Accumulated impairment	—
Net carrying amount	2,316,763
Cost at 1 January 2019, net of accumulated impairment	2,316,763
Impairment during the period	—
Exchange realignment	70,787
Cost and net carrying amount at 30 September 2019 (unaudited)	2,387,550
At 30 September 2019:	
Cost	2,387,550
Accumulated impairment	—
Net carrying amount	2,387,550

Impairment testing of goodwill

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

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

Goodwill is allocated to Heparin SPL cash-generating unit and CDMO cash-generating unit (collectively of the two above, the "CGUs") for impairment testing. The recoverable amount of the CGUs has been determined based on fair value less costs of disposal using combination of the income approach and the market approach, each receiving an equal weighting of 50 percent.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Impairment testing of goodwill—continued

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

Heparin SPL CGU

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

CDMO CGU

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

Pursuant to IAS 36 *Impairment of Assets,* the Group performs impairment test for goodwill on an annual basis. During the nine months ended 30 September 2019, operations of the above two CGUs were ongoing as schedule and there were no indicators showing any significant adverse changes to the market circumstances. As such, in consideration of those circumstances around the CGUs and the Group's accounting policies to assess goodwill impairment annually, as at 30 September 2019, there was no impairment test performed for the goodwill arising from the above two CGUs.

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

Heparin SPL CGU

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Impairment testing of goodwill—continued

CDMO CGU

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

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

Assumptions were used in the FVLCD of the CGUs for 31 December 2017 and 31 December 2018. The revenue growth rate beyond the five or seven-year period had been projected as 3.0%. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

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

Heparin SPL CGU

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Impairment testing of goodwill—continued

CDMO CGU

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

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

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

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

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

Sensitivity analysis

For Heparin SPL CGU, the estimated recoverable amounts exceeded its carrying values by RMB1,416,610,000 and RMB434,212,000 as at 31 December 2017 and 31 December 2018, respectively. The directors of the Company believed that no reasonably possible change in any of the above key assumptions would cause the carrying value of the Heparin SPL CGU to exceed its recoverable amount.

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

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

For CDMO CGU, the estimated recoverable amounts exceeded its carrying values by RMB30,619,000 and RMB56,305,000 as at 31 December 2017 and 31 December 2018, respectively, any significant adverse change in key assumptions would, in isolation, cause an impairment loss to be recognized.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Sensitivity analysis—continued

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. OTHER INTANGIBLE ASSETS

Group

	Software	Trademarks	Patent	Proprietary technology	Brands	Customer relationships	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017								
Cost at 1 January 2017, net of accumulated amortization	8,263	7,434	755	12,529	121,577	411,051	10,469	572,078
Additions—internal development	—	20	951	—	—	—	(971)	—
Additions—acquired	5,481	—	—	95,982	—	—	3,146	104,609
Amortization provided during the year	(2,753)	(1,263)	(116)	(3,725)	(8,606)	(29,096)	—	(45,559)
Exchange realignment	(33)	—	—	5,037	(6,775)	(22,907)	—	(24,678)
At 31 December 2017	10,958	6,191	1,590	109,823	106,196	359,048	12,644	606,450
At 31 December 2017:								
Cost	16,906	13,624	2,076	117,583	124,823	422,024	12,644	709,680
Accumulated amortization	(5,948)	(7,433)	(486)	(7,760)	(18,627)	(62,976)	—	(103,230)
Net carrying amount	10,958	6,191	1,590	109,823	106,196	359,048	12,644	606,450

	Software	Trademarks	Patent	Proprietary technology	Brands	Customer relationships	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018								
Cost at 1 January 2018, net of accumulated amortization	10,958	6,191	1,590	109,823	106,196	359,048	12,644	606,450
Additions—internal development	—	—	5	—	—	—	(5)	—
Additions—acquired	904	—	47	41,049	—	—	2,737	44,737
Disposals	(176)	—	—	—	—	—	—	(176)
Disposal of a subsidiary	(12)	(5,032)	(29)	(2)	—	—	—	(5,075)
Amortization provided during the year	(2,220)	(715)	(162)	(11,733)	(8,438)	(28,531)	—	(51,799)
Exchange realignment	108	—	—	308	5,045	17,058	—	22,519
At 31 December 2018	9,562	444	1,451	139,445	102,803	347,575	15,376	616,656
At 31 December 2018:								
Cost	17,797	862	2,067	158,980	131,108	443,273	15,376	769,463
Accumulated amortization	(8,235)	(418)	(616)	(19,535)	(28,305)	(95,698)	—	(152,807)
Net carrying amount	9,562	444	1,451	139,445	102,803	347,575	15,376	616,656

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. OTHER INTANGIBLE ASSETS—continued

	Software	Trademarks	Patent	Proprietary technology	Brands	Customer relationships	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
30 September 2019								
Cost at 1 January 2019, net of accumulated amortization	9,562	444	1,451	139,445	102,803	347,575	15,376	616,656
Additions—acquired	898	163	16	1,606	—	—	2,111	4,794
Disposals	(21)	—	—	—	—	—	—	(21)
Disposal of subsidiaries	—	(26)	(851)	(9,556)	—	—	(15,254)	(25,687)
Amortization provided during the period	(2,263)	(69)	(74)	(8,320)	(6,546)	(22,129)	—	(39,401)
Exchange realignment	(4)	—	—	(1,059)	2,932	9,908	—	11,777
At 30 September 2019	8,172	512	542	122,116	99,189	335,354	2,233	568,118
At 30 September 2019:								
Cost	18,751	986	1,132	144,319	135,114	456,817	2,233	759,352
Accumulated amortization	(10,579)	(474)	(590)	(22,203)	(35,925)	(121,463)	—	(191,234)
Net carrying amount	8,172	512	542	122,116	99,189	335,354	2,233	568,118

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. OTHER INTANGIBLE ASSETS—continued

Company

	Software	Patent	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017				
Cost at 1 January 2017, net of accumulated amortization	7,848	634	74	8,556
Additions—acquired	2,527	—	2	2,529
Amortization provided during the year	(1,246)	(51)	—	(1,297)
At 31 December 2017	9,129	583	76	9,788
At 31 December 2017:				
Cost	13,013	791	76	13,880
Accumulated amortization	(3,884)	(208)	—	(4,092)
Net carrying amount	9,129	583	76	9,788
31 December 2018				
Cost at 1 January 2018, net of accumulated amortization	9,129	583	76	9,788
Additions—internal development				

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. INVESTMENTS IN ASSOCIATES

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Share of net assets	12,040	(93,073)	263,870
Goodwill on acquisition	629,939	655,563	1,015,939
	641,979	562,490	1,279,809
Provision for impairment	—	—	—
	641,979	562,490	1,279,809

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group			Principal activities
			31 December		30 September	
			2017	2018	2019	
Resverlogix Corp.(a)	Ordinary shares	Canada	42.86%	38.86%	39.02%	Biopharmaceutical R&D
Quest PharmaTech Inc. (b)	Ordinary shares	Canada	14.96%	14.94%	14.94%	Biopharmaceutical R&D
OncoQuest Inc. (c)	Ordinary shares	Canada	39.16%	39.16%	38.74%	Biopharmaceutical R&D
Shanghai Taiyi Venture Capital Partnership. (limited partnership) (d)	Limited partnership	PRC	49.9975%	49.9975%	49.9975%	Investment Management
Shenzhen Asia Pacific Health Management Co., Ltd. (e)	Ordinary shares	PRC	—	27.43%	27.43%	Health management consulting
Highlide Therap Eutics, Inc. (hereafter, the "HighTide") (f)	Ordinary shares	Cayman Islands	—	—	47.02%	Biopharmaceutical R&D

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

(b) Investment in Quest PharmaTech Inc. was acquired in 2015 at a consideration of CAD2,000,000.

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. INVESTMENTS IN ASSOCIATES—continued

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets	30,737	64,411	39,311
Non-current assets, excluding goodwill	326,960	319,939	349,223
Current liabilities	(234,669)	(515,385)	(163,632)
Non-current liabilities	(318,216)	(659,554)	(735,391)
Net liabilities, excluding goodwill	(195,188)	(790,589)	(510,489)
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	42.86%	38.86%	39.02%
Group's share of net assets of the associate, excluding goodwill	(83,658)	(307,223)	(199,193)
Goodwill on acquisition	578,514	539,525	554,689

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. INVESTMENTS IN ASSOCIATES—continued

The following table illustrates the summarized financial information in respect of Hightide Therapeutics, Inc. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets	—	—	73,666
Non-current assets, excluding goodwill	—	—	527,332
Current liabilities	—	—	(9,732)
Non-current liabilities	—	—	(11,924)
Net assets, excluding goodwill	—	—	579,342
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	—	—	47.02%
Group's share of net assets of the associate, excluding goodwill	—	—	272,407
Goodwill on acquisition	—	—	344,118
Carrying amount of their investment	—	—	616,525

	For the year ended 31 December		Nine months ended 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Revenue	—	—	—
Loss for the year/period	—	—	(90,410)
Total comprehensive loss for the year/period	—	—	(90,410)

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Share of the associates' losses for the relevant period	(19,525)	(1,340)	(24,841)
Share of the associate's other comprehensive interest for the relevant period	1,263	(201)	—
Carrying amount of the Group's investment in the associates	147,123	330,188	307,788

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. INTERESTS IN SUBSIDIARIES

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Unlisted shares, at cost	1,811,366	2,233,535	2,199,238
Amounts due from subsidiaries*	808,825	961,534	1,049,820
	2,620,191	3,195,069	3,249,058

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

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

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income			
Listed equity investment, at fair value:			
Prometic Life Sciences Inc.(a)	281,583	37,560	280
Aridis Pharmaceuticals, Inc.(b)	71,876	66,862	41,815
	353,459	104,422	42,095
Unlisted equity investments, at fair value:			
Cantex Pharmaceuticals, Inc.(c)	196,027	205,896	212,187
Curemark, LLC(d)	—	297,608	393,889
Other	877	859	1,640
	196,904	504,363	607,716
	550,363	608,785	649,811

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income			
Listed equity investment, at fair value:			
Prometic Life Sciences Inc.(a)	281,583	37,560	280
Unlisted equity investments, at fair value			
Curemark, LLC(d)	—	31,863	31,863
	281,583	69,423	32,143

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

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

(a) The Group acquired 48,147,053 issued shares of Prometic Life Sciences Inc. ("PLI") with a consideration of USD9,999,999 in 2013. PLI is a company listed on the Canada Stock Exchange. The Group disposed certain shares during the Relevant Periods and the remaining shares were 3,800 as at 30 September 2019.

(b) The Group acquired 5,365,854 issued shares of Aridis Pharmaceuticals, Inc. ("Aridis") with a consideration of USD11,000,000 in 2017. Aridis is a company listed on the National Association of Securities Dealers Automated Quotations (NASDAQ: ARDS). The fair value of the investment in Aridis was RMB71,876,000, RMB66,862,000, RMB41,815,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

(c) The Group totally acquired 31,123,560 issued shares of Cantex Pharmaceuticals, Inc. ("Cantex") with a consideration of USD30,000,000 during years ended 31 December 2014 and 2015. The fair value of the investment in Cantex was RMB196,027,000, RMB205,896,000, and RMB212,187,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

(d) The Group acquired 14,428 common shares of Curemark, LLC ("Curemark") with cash consideration of USD5,000,000 and 111,740 common shares of Curemark by providing products of USD51,185,000 during the year ended 31 December 2018 and nine months ended 30 September 2019. The fair value of the investment in Curemark was RMB297,608,000 and RMB393,889,000 as at 31 December 2018 and 30 September 2019, respectively.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets			
Wealth management products	293,185	266,293	343,897
Non-current assets			
Unlisted equity investments and convertible loan, at fair value			
Kymab Group Limited(a)	241,766	259,427	320,934
TPG Biotechnology Partners IV, L.P.(b)	104,983	89,744	77,260
TPG Biotechnology Partners V, L.P.(c)	116,613	181,109	337,432
ORI Healthcare Fund, L.P(d)	190,890	221,873	279,710
Convertible loan(e)	146,204	—	—
Shenzhen Top Dental Medical Co., Ltd.(f)	90,400	104,500	123,400
Labway Clinical Laboratory Co., Ltd.(g)	33,915	36,500	40,700
Hejia Hongli (Hang Zhou) Venture Investment Partnership (L.P.)(h)	24,554	32,995	36,168
CDH Avatar, L.P.(i)	12,076	4,730	3,608
Others	462	489	40,726
	961,863	931,367	1,259,938
	1,255,048	1,197,660	1,603,835

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets			
Wealth management products	253,005	204,004	280,406
Non-current assets			
Unlisted equity investments, at fair value			
TPG Biotechnology Partners IV, L.P.(b)	104,983	89,744	77,260
TPG Biotechnology Partners V, L.P.(c)	116,613	181,109	337,432
Hejia Hongli (Hang Zhou) Venture Investment Partnership (L.P.) (h)	24,554	32,995	36,168
	246,150	303,848	450,860
	499,155	507,852	731,266

(1) Wealth management products

The Group entered into contracts in respect to wealth management products from banks and other financial institutions with an expected but not guaranteed rates of return ranging from 2.00% to 5.80% per annum during the Relevant Periods and nine months ended 30 September 2018. The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and thus designated at fair value through profit or loss as at 31 December 2017, 2018 and 30 September 2019.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

(2) Unlisted equity investments, at fair value

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

(a) The Group acquired 8,487,385 Series C preference shares of Kymab Group Limited ("Kymab") with a consideration of USD36,500,000 in 2017. The fair value of the investment in Kymab was RMB241,766,000, RMB259,427,000 and RMB320,943,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

(b) The Company entered into a purchase and sale agreement to purchase a limited partnership interest in TPG Biotechnology Partners IV, L.P. ("TPG IV") in 2014. The fair value of the investment in TPG IV was RMB104,983,000, RMB89,744,000 and RMB77,260,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

(c) The Company entered into a purchase and sale agreement to purchase a limited partnership interest in TPG Biotechnology Partners V, L.P. ("TPG V") in 2016. The fair value of the investment in TPG V was RMB116,613,000, RMB181,109,000, and RMB337,432,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

(d) The Group entered into two share purchase agreements to purchase a limited partnership interest in ORI Healthcare Fund, L.P ("ORI") in 2016. The fair value of their investment in ORI was RMB190,890,000, RMB221,873,000 and RMB279,710,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

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

(f) The Group entered into a share purchase agreement with Shenzhen Top Dental Medical Co., Ltd. ("Top Dental"), pursuant to which the Group agreed to acquire 14% of shares of Top Dental with a consideration of RMB35,000,000 in 2016. The Group entered into a share purchase agreement with Top Dental, pursuant to which the Group agreed to acquire additional 0.62% of the issued shares of Top Dental with the consideration of RMB10,000,000 in 2018. The fair value of the investment in Top Dental was RMB90,400,000, RMB104,500,000 and RMB123,400,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

(g) The Group entered into a share purchase agreement with Shanghai Labway Clinical Laboratory Co., Ltd. ("Labway") with a consideration of RMB29,964,000 in 2016. The

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

fair value of the investment in Labway was RMB33,915,000, RMB36,500,000 and RMB40,700,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

(h) The Group entered into a purchase agreement to purchase a limited partnership interest in Hejia Hongli (Hang Zhou) Venture Investment Partnership (L.P.) ("Hejia Hongli") with a consideration of RMB20,000,000, in 2015. The fair value of the investment in Hejia Hongli was RMB24,554,000, RMB32,996,000, and RMB36,167,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

(i) The Group entered into a purchase agreement to purchase a limited partnership interest in CDH Avatar, L.P. ("CDH") with a consideration of USD1,500,000 in 2015. The fair value of the investment in CDH was RMB12,076,000, RMB4,730,000 and RMB3,608,000 as at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets			
Warrants	43,150	77,174	6,811

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. OTHER NON-CURRENT ASSETS

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Prepayment for purchase of property plant and equipment	60,534	38,808	55,593
Prepayment for marketing authorisation	80,405	99,758	96,685
Long-term interest receivables	2,529	7,761	12,239
	143,468	146,327	164,517

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Prepayment for purchase of property plant and equipment	37,797	6,145	2,464

24. INVENTORIES

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Raw materials and consumables	406,034	559,116	622,507
Working progress	296,829	298,875	355,520
Finished goods	650,729	788,568	1,197,561
	1,353,592	1,646,559	2,175,588

The inventories are net of a write-down of approximately RMB86,493,000, RMB100,004,000 and RMB128,081,000 as at 31 December 2017, 2018 and the period ended 30 September 2019, respectively.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24. INVENTORIES—continued

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Raw materials	129,471	130,521	145,037
Working progress	186,161	138,193	164,947
Finished goods	114,234	94,655	115,640
	429,866	363,369	425,624

The inventories are net of a write-down of approximately RMB557,000, RMB974,000 and RMB241,000 as at 31 December 2017, 2018 and the period ended 30 September 2019, respectively.

25. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Trade receivables	710,738	1,109,381	1,067,262
Bills receivable	11,097	1,270	22,404
Allowance for expected credit losses	(18,633)	(26,162)	(34,670)
	703,202	1,084,489	1,054,996

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

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Within 90 days	642,198	1,019,880	955,481
90 to 180 days	13,858	33,962	61,226
180 days to 1 year	24,784	11,125	16,361
1 year to 2 years	19,486	14,845	16,299
Over 2 years	2,876	4,677	5,629
	703,202	1,084,489	1,054,996

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. TRADE AND BILLS RECEIVABLES—continued

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

	As at 30 September 2019		
	Amount	Expected loss rate	Impairment
	RMB'000	%	RMB'000
(Unaudited)			
Current	746,866	0.50	3,734
Past due less than 3 months	191,647	0.89	1,702
Past due 3 to 6 months	61,778	0.89	552
Past due 6 to 12 months	16,509	0.89	147
Past due 1 to 2 years	23,405	30.36	7,107
Past due over 2 years	27,057	79.20	21,428
	1,067,262		34,670

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Trade receivables	167,719	134,298	172,395
Bills receivable	11,063	1,270	21,757
Allowance for expected credit losses	(3,942)	(5,827)	(6,640)
	174,840	129,741	187,512

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
At beginning of year/period	1,229	3,942	5,827
Impairment losses, net	2,713	3,772	813
Write-off	—	(1,887)	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26. CONTRACT ASSETS

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Contract assets arising from service	11,389	17,384	21,560

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

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Prepayments	252,935	206,628	352,508
Deposits and other receivables*	56,239	57,725	52,490
Interest receivables	202,849	68,902	15,273
Export drawback receivable	43,334	48,582	31,752
VAT recoverable	91,609	83,645	77,035
Prepaid tax	203	459	38,045
Prepaid expenses	13,356	20,945	40,038
Less: Impairment**	(8,110)	(10,085)	(15,661)
	652,415	476,801	591,480

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

** As at 31 December 2017, 31 December 2018 and 30 September 2019, the impairment of the financial assets included in prepayments, other receivables and other assets were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

The information about the credit exposure is disclosed in note 49 to the Historical Financial Information.

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Prepayments	238,230	175,439	312,197
Deposits and other receivables*	39,162	35,333	28,997
Interest receivables	202,849	68,902	15,272
Export drawback receivable	19,053	12,121	—
VAT recoverable	26,457	24,616	4,576
Prepaid expenses	—	4,223	4,111
Less: Impairment	(2,556)	(3,788)	(8,566)
	523,195	316,846	356,587

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Cash and bank balances	535,611	1,229,837	904,112
Time deposits	3,061,549	891,909	452,508
	3,597,160	2,121,746	1,356,620
Less:			
Pledged deposits	6,141	3,837	52,027
Time deposits with original maturity over three months:			
—non-current	490,909	127,510	—
—current	2,369,640	464,299	127,510
Cash and cash equivalents	730,470	1,526,100	1,177,083

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Cash and cash equivalents and time deposits			
Denominated in			
—RMB	3,336,274	1,670,007	916,166
—USD	203,024	421,530	216,422
—EUR	53,242	24,274	156,015
—HKD	960	2,640	142
—Others	3,660	3,295	67,875
	3,597,160	2,121,746	1,356,620

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS—continued

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Cash and bank balances	167,389	733,673	401,690
Time deposits	3,060,549	890,909	392,510
	3,227,938	1,624,582	794,200
Less:			
Time deposit with original maturity over three months:			
—non-current	490,909	127,510	—
—current	2,369,640	463,299	127,510
Cash and cash equivalents	367,389	1,033,773	666,690

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Cash and cash equivalents and time deposit denominated in			
—RMB	3,227,217	1,550,549	703,885
—USD	691	73,945	88,496
—EUR	30	88	56
—Others	—	—	1,763
	3,227,938	1,624,582	794,200

29. TRADE AND BILLS PAYABLES

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Bills payable	3,344	—	—
Trade payables	159,130	205,273	253,569
	162,474	205,273	253,569

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. TRADE AND BILLS PAYABLES—continued

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Within 1 year	161,562	203,668	250,609
1 year to 2 years	225	778	2,375
2 years to 3 years	62	194	367
Over 3 years	625	633	218
	162,474	205,273	253,569

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

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Trade payables	6,516	13,672	6,676

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Within 1 year	6,516	13,465	6,676
1 year to 2 years	—	207	—
	6,516	13,672	6,676

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Other payables	46,908	68,842	93,338
Accruals	72,260	80,142	89,772
Payables for purchase of property, plant and equipment	41,395	132,251	68,787
Payables for purchase of other intangible assets	29,259	14,717	—
Interest payables	15,877	19,826	59,071
Salary payables	125,773	157,292	148,767
Other tax payables	8,552	20,613	24,367
	340,024	**493,683**	**484,102**

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Other payables	9,003	5,175	3,881
Accruals	16,556	7,771	3,921
Payables for purchase of property plant and equipment	23,888	124,830	50,334
Interest payables	7,080	10,672	54,857
Salary payables	57,727	58,620	62,628
Financial guarantee contracts	—	—	15,765
Other tax payables	459	297	71
	114,713	**207,365**	**191,457**

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

31. CONTRACT LIABILITIES

Group

The Group recognized the following revenue-related contract liabilities:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Sale of products	93,611	140,409	172,785
CDMO services	35,787	84,112	55,094
Others	—	30,322	30,033
	129,398	254,843	257,912

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. CONTRACT LIABILITIES—continued

Company

The Company recognized the following revenue-related contract liabilities:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Sale of products	—	6,690	5,625

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

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

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

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

31 December 2017

	As at 31 December 2017		
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—secured[a]	2.5%-5.6%	2018	326,246
Bank loans—unsecured	2.3%-5.7%	2018	1,741,500
Current portion of long—term bank loans—secured[a]	2.2%-5.0%, LIBOR+150BP-200BP	2018	211,246
Current portion of long-term bank loans—unsecured	3MLIBOR+130BP, LIBOR+150BP	2018	900,740
Other borrowings—unsecured[b]	5.8%	2018	80,000
			3,259,732
Non-current			
Bank loans—secured[a]	4.4%	2019	4,970
Bank loans—unsecured	LIBOR+150BP, 3MLIBOR+130BP	2019-2020	826,576
Corporate bonds—unsecured[c]	3.4%	2021	992,787
			1,824,333

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. INTEREST-BEARING BANK AND OTHER BORROWINGS—continued

31 December 2018

	As at 31 December 2018		
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—secured[a]	2.5%-6.3%	2019	91,389
Bank loans—unsecured	2.6%-6.3%, 3MLIBOR+130BP	2019	1,612,392
Current portion of long—term bank loans—secured[a]	4.4%	2019	4,999
Current portion of long—term bank loans—unsecured	LIBOR+150BP	2019	476,992
Other borrowings—unsecured[b]	3.5%-5.4%	2019	277,710
			2,463,482
Non-current			
Bank loans—secured[a]	6.5%, LIBOR+Applicable margin(1.3%-1.9%)	2023	862,319
Bank loans—unsecured	3MLIBOR+130BP-150BP	2020-2021	592,515
Corporate bonds—unsecured[c]	3.4%	2021	994,608
			2,449,442

30 September 2019

	As at 30 September 2019		
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—secured[a]	4.8%-5.7%	2019-2020	598,000
Bank loans—unsecured	1.1%-4.9%, 3MLIBOR+130BP	2019-2020	1,861,038
Current portion of long—term bank loans—secured[a]	4.4%-6.5%	2019-2020	59,304
Current portion of long—term bank loans—unsecured	3MLIBOR+130BP	2020	392,066
Other borrowings—unsecured[b]	2.9%-4.5%	2019-2020	730,410
Current portion of corporate bonds—unsecured[c]	3.4%	2019	990,142
			4,630,960
Non-current			
Bank loans—secured[a]	6.5%, LIBOR+APPLICABLE MARGIN (1.3-1.9%)	2023	817,577
Bank loans—unsecured	3MLIBOR+150BP	2021	217,139
Corporate bonds—secured[c]	5.9%	2024	689,310
Corporate bonds—unsecured	6.0%	2021	5,873
			1,729,899

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. INTEREST-BEARING BANK AND OTHER BORROWINGS—continued

30 September 2019

	As at 30 September 2019		
	Effective interest rate per annum	Maturity	RMB'000
Current			
Bank loans—secured	4.8%	2020	588,000
Bank loans—unsecured	2.6%-4.9%	2019-2020	934,562
Current portion of long-term bank loans—secured	6.5%	2020	54,528
Other borrowings—unsecured	2.9%-4.5%	2019-2020	445,000
Current portion of corporate bonds—unsecured	3.4%	2019	990,142
			3,012,232
Non-current			
Bank loans—secured	6.5%	2023	490,752
Corporate bonds—secured	5.9%	2024	689,310
Corporate bonds—unsecured	6.0%	2021	5,873
			1,185,935

Analyzed into:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Repayable:			
Within one year	1,361,048	1,032,400	3,012,232
In the second year	—	54,528	—
In the third to fifth years, inclusive	992,787	1,485,360	1,185,935
	2,353,835	2,572,288	4,198,167

(a) As at 31 December 2017 and 2018 and 30 September 2019, the mortgaged and guaranteed bank loans with the amounts of RMB159,242,000, RMB317,039,000 and RMB326,824,000 were secured by the total assets owned by SPL, respectively. As at 31 December 2017 and 2018 and 30 September 2019, the pledged assets have a net carrying amount of approximately RMB1,189,647,000, RMB1,485,333,000 and RMB1,541,747,000, respectively.

As at 31 December 2017 and 2018 and 30 September 2019, Mr. Li Li and Shenzhen Doppler Industrial Development Co., Ltd has guaranteed certain of the Group's bank loans of up to RMB383,221,000, RMB96,388,000 and RMB14,776,000, respectively.

As at 31 December 2018 and 30 September 2019, the pledged bank loans with the amounts of RMB545,280,000 and RMB1,133,280,000 were secured by the pledge of 100% of shares of Shenzhen Topknow Industrial Development Co., Ltd, Mr. Li Li and Ms. Li Tan respectively.

(b) As at 31 December 2017 and 2018 and 30 September 2019, other borrowings included discounted notes receivable of RMB80,000,000, RMB95,000,000 and RMB445,000,000, and letters of credit of nil, RMB182,710,000 and RMB285,410,000, respectively.

(c) On 8 November 2016, the Company issued a domestic corporate bond at a par value of RMB1,000,000,000 in the PRC (the "16 Hepalink"). The 16 Hepalink will mature in five years from the issue date. Upon the third anniversary of the issue date, the Company shall be entitled to adjust the coupon rate and the bond holders shall be entitled to sell back the whole or partial 16 Hepalink at par. The 16 Hepalink was listed on 8 November 2016 on the Shenzhen Stock Exchange and bears interest at the rate of 3.19% per annum, payable annually in arrears or on the business day nearest to 8 November of each year, starting from 8 November 2017. On 7 November 2019, the Company paid the bond with a principal of RMB994,103,000 and the corresponding interests.

On 23 April 2019, the Company issued a non-publicly issued bond at a par value of RMB700,000,000 in the PRC (the "19 Hepalink"). The 19 Hepalink will mature in five years from the issue date. Upon the third anniversary of the issue date, the Company shall be entitled to adjust the coupon rate and the bond holders shall be entitled to sell back the whole or partial 19 Hepalink at par. The 19 Hepalink bears interest at the rate of 5.50% per annum, payable annually in arrears or on the business day nearest to 23 April of each year, starting from 23 April 2019.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. DEFERRED INCOME

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Government grants	42,345	31,254	21,334

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Government grants	10,254	4,664	4,147

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Group

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

	Deferred tax assets												
	Fair value adjustments of financial assets at fair value through other comprehensive income	Fair value adjustments of financial assets at fair value through profit and loss	Fair value loss on derivative instruments	Impairment of assets	Adjustment of share of profits and losses of associates	Accrued interest expenses	Unrealised profits from intercompany transactions	Accrued bonus	Accrued pension	Tax losses	Amortization of customer relationships and trademarks	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	25,098	—	—	7,119	58,781	33,935	42,077	3,868	8,041	26,079	5,001	10,873	220,872
Deferred tax credit/(charged) to the statement of profit or loss during the period	—	—	7,520	5,052	6,329	—	31,907	—	—	(8,467)	—	1,295	43,636
Deferred tax credit/(charged) to other comprehensive income during the period	4,876	—	—	—	(8,000)	—	—	—	5,480	—	—	—	2,356
Exchange differences	541	—	—	266	200	1,037	—	118	421	(25)	152	206	2,916
At 30 September 2019 (Unaudited)	30,515	—	7,520	12,437	57,310	34,972	73,984	3,986	13,942	17,587	5,153	12,374	269,780

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Group

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

	Fair value adjustments of financial assets at fair value through other comprehensive income	Fair value gain on derivative instruments	Fair value adjustment arising from acquisition of subsidiaries	Adjustment of amortization of goodwill	Depreciation allowance in excess of related depreciation	Disposal of a subsidiary	Fair value adjustments of financial assets at fair value through profit and loss	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	60,407	1,937	241,038	157,325	52,601	—	127	2,522	515,957
Deferred tax credited to the statement of profit or loss during the year	—	(148)	(98,844)	(47,381)	(22,912)	—	(127)	(966)	(170,378)
Deferred tax credited to other comprehensive income during the year	(29,535)	—	—	—	—	—	—	—	(29,535)
Exchange differences	—	—	(10,333)	(7,571)	(2,258)	—	—	(115)	(20,277)
At 31 December 2017:	30,872	1,789	131,861	102,373	27,431	—	—	1,441	295,767
At 1 January 2018	30,872	1,789	131,861	102,373	27,431	—	—	1,441	295,767
Deferred tax charged/(credited) to the statement of profit or loss during the year	—	5,104	(11,767)	9,935	21,438	—	9,181	226	34,117
Deferred tax credited to other comprehensive income during the year	(30,872)	—	—	—	—	—	—	—	(30,872)
Exchange differences	—	—	5,898	5,509	2,042	—	—	83	13,532
At 31 December 2018:	—	6,893	125,992	117,817	50,911	—	9,181	1,750	312,544
At 1 January 2019	—	6,893	125,992	117,817	50,911	—	9,181	1,750	312,544
Deferred tax (credited)/charged to the statement of profit or loss during the period	—	(6,893)	(651)	—	1,229	88,816	17,735	—	100,236
Deferred tax charged to other comprehensive income during the period	1,035	—	—	—	—	—	—	—	1,035
Exchange differences	(60)	—	3,650	3,600	1,480	—	—	52	8,722
At 30 September 2019 (Unaudited):	975	—	128,991	121,417	53,620	88,816	26,916	1,802	422,537

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Group

For presentation purposes, certain deferred tax assets and liabilities with the amounts of RMB165,320,000, RMB110,041,000 and RMB113,672,000 as at 31 December 2017 and 2018 and 30 September 2019, respectively, have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Net deferred tax assets recognised in the consolidated statement of financial position	21,816	110,831	156,108
Net deferred tax liabilities recognised in the consolidated statement of financial position	130,447	202,503	308,865

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. Deferred tax assets have not been recognised in respect of losses arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Tax losses	224,864	336,923	551,750

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Company

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

	Deferred tax assets						
	Fair value adjustments of financial assets at fair value through other comprehensive income	Fair value adjustments of financial assets at fair value through profit and loss	Fair value loss on derivative instruments	Impairment of assets	Adjustment of share of profits and losses of associates	Others	Total
	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	—		—	265	6,742	3,635	10,642
Deferred tax credited/(charged) to the statement of profit or loss during the year	—	2,254	—	371	9,360	(955)	11,030
At 31 December 2017	—	2,254	—	636	16,102	2,680	21,672
At 1 January 2018	—	2,254	—	636	16,102	2,680	21,672
Deferred tax (charged)/credited to the statement of profit or loss during the year	—	(2,254)	—	1,359	34,089	(538)	32,656
Deferred tax credit to other comprehensive income during the year	10,579	—	—	—	1,863	—	12,442
At 31 December 2018	10,579		—	1,995	52,054	2,142	66,770
At 1 January 2019	10,579	—	—	1,995	52,054	2,142	66,770
Deferred tax credit to the statement of profit or loss during the period	—	—	7,519	100	5,598	175	13,392
Deferred tax charged to other comprehensive income during the period	(2,095)	—	—	—	(7,053)	—	(9,148)
At 30 September 2019 (Unaudited)	8,484	—	7,519	2,095	50,599	2,317	71,014

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAX—continued

Company

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

	Deferred tax liabilities			
	Fair Value adjustments of finance assets at fair value through other comprehensive income	Fair value gain on derivative instruments	Fair value adjustments of financial assets at fair value through profit and loss	Total
	RMB'000	RMB'000		RMB'000
At 1 January 2017	60,360	1,937	127	62,424
Deferred tax charged to the statement of profit or loss during the year	—	(148)	(127)	(275)
Deferred tax credited to other comprehensive income during the year	(29,835)	—	—	(29,835)
At 31 December 2017	30,525	1,789	—	32,314
At 1 January 2018	30,525	1,789	—	32,314
Deferred tax charged to the statement of profit or loss during the year	—	5,105	2,754	7,859
Deferred tax credited to other comprehensive income during the year	(30,525)	—	—	(30,525)
At 31 December 2018	—	6,894	2,754	9,648
At 1 January 2019	—	6,894	2,754	9,648
Deferred tax credited to the statement of profit or loss during the period	—	(6,894)	6,220	(674)
At 30 September 2019 (Unaudited)	—	—	8,974	8,974

For presentation purposes, certain deferred tax assets and liabilities with the amounts of RMB21,672,000, RMB9,648,000 and RMB8,974,000 as at 31 December 2017 and 2018 and 30 September 2019, respectively, have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Net deferred tax assets recognized in the consolidated statement of financial position	—	57,122	62,040
Net deferred tax liabilities recognized in the consolidated statement of financial position	10,642	—	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. LONG-TERM EMPLOYEE BENEFITS

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Stock appreciation rights	7,039	10,468	13,163
Net defined benefit retirement obligation	67,915	67,139	91,385
	74,954	77,607	104,548

(a) Stock Appreciation Rights (SARs)

The board of SPL Acquisition Corp ("SPL"), a wholly-owned subsidiary of the Company, approved a long-term incentive plan in December 2015. Under this plan, SPL could issue up to 50,000 Stock Appreciation Rights ("SARs"). As at 31 December 2017, 31 December 2018 and 30 September 2019, 49,225 SARs, 49,225 SARs and 48,350 SARs had been granted.

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

Their initial value of SARs granted in 2015, 2016 and 2017 were $562.30 per share, $562.30 per SARs and $500.62 per SARs, respectively. The settlement or payment of SARs may be in the form of cash or equivalent SPL's or the Company's common stock, or both. The grant of SARs lasts for four years and the expiration date is the tenth year since the grant date. Vesting of SARs is in accordance with the terms in respective grant agreements signed with the participants. As at 31 December 2017, 31 December 2018 and 30 September 2019, 37,500 SARs, 44,600 SARs and 46,725 SARs had been vested.

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

(b) Net Defined Benefit Retirement Obligation

The Group makes contributions to a defined benefit retirement plan for the employees working in SPL Acquisition Corp., which covers 15%, 11% and 12% of the Group's employees during the year ended 31 December 2017, the year ended 31 December 2018 and the period ended 30 September 2019, respectively. The plan is administered by a trustee, who is independent, with its assets held separately from those of the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. LONG-TERM EMPLOYEE BENEFITS—continued

(b) Net Defined Benefit Retirement Obligation—continued

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on an annual actuarial valuation. The independent actuarial valuation of the plan during the Relevant Periods was prepared by certified insurance actuaries of AON plc by using the projected unit cost method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan were 45%, 49% and 48% covered by the plan assets held by the trustees at 31 December 2017, 31 December 2018 and 30 September 2019, respectively.

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

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Present value of wholly or partly funded by obligation	127,488	137,452	183,164
Fair value of plan assets	(57,593)	(67,698)	(88,285)
	69,895	69,754	94,879
Expected to be settled in the next twelve months	(1,980)	(2,615)	(3,494)
	67,915	67,139	91,385

(ii) Plan assets

As at 31 December 2017, 31 December 2018 and 30 September 2019, the Group's liability under this plan was covered by deposits placed with several banks. There is no plan asset invested in the Company's own financial instruments or any property occupied or other assets used by the Group.

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
At the beginning of year/period	109,584	127,488	137,452
Actuarial losses/(gain) arising from experience	13,250	(10,192)	29,546
Benefits paid by the plan	(907)	(1,153)	(1,009)
Current service cost	8,220	9,827	7,164
Interest cost	4,532	4,941	4,526
Exchange difference	(7,191)	6,541	5,485
At the end of year/period	127,488	137,452	183,164

The weighted average duration of the defined benefit obligation was 18.6 years, 17.4 years and 17.4 years during the years ended 31 December 2017, the year ended 31 December 2018, and the period ended 30 September 2019, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. LONG-TERM EMPLOYEE BENEFITS—continued

(b) Net Defined Benefit Retirement Obligation—continued

(iv) Movements in plan assets

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
At the beginning of year/period	50,200	57,593	67,698
Group's contributions paid to the plan	8,730	9,045	12,337
Benefits paid by the plan	(877)	(1,153)	(1,009)
Interest income	2,016	2,365	2,061
Return on plan assets, excluding interest income	523	(3,300)	4,557
Exchange difference	(2,999)	3,148	2,641
At the end of year/period	57,593	67,698	88,285

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Current service cost	8,220	9,827	7,164
Net interest on the net defined benefit liability	2,516	2,576	2,465
Total amount recognized in profit or loss	10,736	12,403	9,629
Actuarial losses/(gains)	13,250	(10,192)	29,546
Return on plan assets, excluding interest income	(523)	3,300	4,557
Total amounts recognized in other comprehensive income	12,727	(6,892)	34,103
Total defined benefits costs	23,463	5,511	43,732

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

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Discount rate	3.67%	4.30%	3.14%
Future salary increases	3.50%	3.50%	3.50%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. LONG-TERM EMPLOYEE BENEFITS—continued

(b) Net Defined Benefit Retirement Obligation—continued

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

Increase 1%	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Discount rate	(21,718)	(20,153)	(26,305)
Future salary increases	11,250	9,918	12,945

Decrease 1%	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Discount rate	28,182	25,815	33,696
Future salary increases	(9,694)	(8,642)	(11,281)

36. LEASE LIABILITIES

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Current			
Lease liabilities	28,968	30,809	31,900
Non-current			
Lease liabilities	127,062	106,718	94,741
	156,030	137,527	126,641

Movement of the lease liabilities:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
At the beginning of year/period	128,501	156,030	137,527
Additions	64,353	5,266	11,634
Interest expenses	9,246	7,193	4,568
Payments	(39,172)	(36,370)	(29,314)
Disposals	—	—	(450)
Exchange realignment	(6,898)	5,408	2,676
Ending balance	156,030	137,527	126,641

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. LEASE LIABILITIES—continued

Movement of the lease liabilities:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
At the beginning of year/period	23,499	21,547	21,704
Additions	—	2,170	17,311
Interest expenses	1,059	1,025	806
Payments	(3,011)	(3,038)	(2,589)
Ending balance	21,547	21,704	37,232

An aging analysis of the lease liabilities as at the end of each of the Relevant Periods is as follows:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Less than 3 months	502	513	1,218
3 to less than 12 months	899	1,573	3,373
1 to 3 years	2,041	2,607	8,807
Over 3 years	18,105	17,011	23,834
	21,547	21,704	37,232

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

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

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Future cash outflows for short-term leases	6,034	4,598	3,449

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37. SHARE CAPITAL

Company

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Registered, issued and fully paid 1,247,201,704 ordinary shares	1,247,202	1,247,202	1,247,202

38. RESERVES

Group

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

(i) Statutory surplus reserve

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

(ii) Merger reserve

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

(iii) Exchange fluctuation reserve

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

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

(iv) Share option reserve

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. RESERVES—continued

(v) Fair value reserve

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

(vi) Defined benefit contribution reserve

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

Company

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. RESERVES—continued

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. RESERVES—continued

	Share premium	Merger reserve	Share option reserve	Fair value reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
At 1 January 2019	4,248,203	(1,996,731)	33,937	(158)	35,151	517,567	1,785,774	4,623,743
Profit for the period	—	—	—	—	—	—	90,667	90,667
Other comprehensive income for the period								
Share of other comprehensive income of associates	—	—	—	—	269	—	—	269
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	(19,792)	—	—	—	(19,792)
Total comprehensive income for the period	—	—	—	(19,792)	269	—	90,667	71,144
Deemed disposal of a subsidiary	—	—	—	—	34,479	(4,441)	(39,969)	(9,931)
Transfer of fair value reserve of equity investments at fair value through other comprehensive income	—	—	—	742	—	—	(742)	—
Other changes of investment in a subsidiary	—	—	—	—	248,551	—	—	248,551
Dividend declared to shareholders	—	—	—	—	—	—	(124,720)	(124,720)
Others	—	—	—	—	57,457	—	—	57,457
At 30 September 2019	4,248,203	(1,996,731)	33,937	(19,208)	375,907	513,126	1,711,010	4,866,244

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

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

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

30 September 2019 (Unaudited)

	Percentage of equity interest held by non-controlling interests	Profit/(loss) for the period allocated to non-controlling interests	Accumulated balances of non-controlling interests at the reporting date
	%	RMB'000	RMB'000
Shenzhen Penghe Property Management Co., Ltd	45%	(1,042)	53,375
Shenzhen Ruidi Biomedical Co., Ltd	49%	(1,778)	41,534
Shenzhen OncoVent Co., Ltd.	46%	(861)	21,624

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

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

	Shenzhen Penghe Property Management Co., Ltd	Shenzhen Ruidi Biomedical Co., Ltd	Shenzhen OncoVent Co., Ltd.
	RMB'000	RMB'000	RMB'000
Revenue	—	—	—
Total expenses	(2,315)	(3,952)	(1,871)
Loss for the period	(2,315)	(3,952)	(1,871)
Total comprehensive Loss for the period	(2,315)	(3,952)	(1,871)
Current assets	5,449	59,719	32,617
Non-current assets	113,547	37,295	18,949
Current liabilities	(208)	(12,374)	(4,442)
Non-current liabilities	(176)	—	—
Net cash flows used in operating activities	(194)	(1,639)	(690)
Net cash flows from/(used in) investing activities	1,055	(8,616)	632
Net cash flows from financing activities	—	8,120	—
Effect of foreign exchange rate changes, net	—	370	—
Net increase/(decrease) in cash and cash equivalents	861	(1,765)	(58)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. SHARE AWARD SCHEME

Share Option Scheme

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

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

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

As of 31 December 2017, 31 December 2018 and 30 September 2019, the progress of the Scheme is as follows:

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

41. BUSINESS COMBINATION

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. BUSINESS COMBINATION—continued

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

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

During the Relevant Periods, the purchase consideration for the acquisition has been fully paid. As at 31 December 2018 and 30 September 2019, the Group had paid RMB1,224,000,000 and RMB1,176,000,000 respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. DISPOSAL OF SUBSIDIAR—continued

(2) Deemed d sposal of H ghTi de—cont nued

	As date of disposal
	RMB'000
Net assets d sposed of:	
Property and equi pment	4,345
Otheri ntangi ble assets	25,686
Cash and bank balances	75,898
Inventori es	112
Prepayments, other reci vables and other assets	1,914
Trade and bi lls payables	(54)
Accruals and other payables	(1,023)
Deferredi ncome	(8,277)
Net assets	98,601
Non-controll ngi nterests	(402)
Net assets attri butable to the parent	98,199
Proport on of the Group's ownershi pi nterest	53.81%
Share of net assets of the subsi d ary	52,841
Gai n on deemed d sposal of the subsi d ary and gai n on fai r value remeasurement of exi sti ng equi tyi n the subsi d ary	573,865
Investmentsi n an associ ate (Note18)	626,706
Sati sfi ed by:	
Cash	—

An analysi s of the net outflow of cash and cash equi valentsi n respect of the d sposal of the subsi d aryi s as follows:

Cash consi derat on	—
Cash and cash equi valentsi n the subsi d ary deemed d sposed of	(75,898)
Net outflow of cash and cash equi valentsi n respect of the deemed d sposal of the subsi d ary	(75,898)

43. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Maj or non-cash transact ons

Duri ng the Relevant Peri ods, SPL Di stri but on Hold ngs LLC, a subsi d ary of the Group, provi des acti ve pharmaceuti cali ngredi ents toi ts customer, Curemarki n exchange for equi tyi nterests of the customer. Duri ng the year ended 31 December 2018 and ni ne months ended 30 September 2019 and 2018, the transacti on amounts were RMB256,564,000, RMB85,430,000 and RMB179,995,000, respecti vely. Further detai ls are set outi n note 20(d).

Duri ng the Relevant Peri ods and ni ne months ended 30 September 2018, the Group enteredi nto lease arrangements wi th a total capi tal value at the i ncepti on of the leases of RMB64,353,000, RMB5,266,000, RMB11,184,000 and RMB3,981,000, respecti vely.

Duri ng the ni ne months ended 30 September 2019, the conti ngent consi derati on from the Controll ng Shareholders, Mr. Shan Yu and Shui d Shi chuan amounti ng to RMB248,552,000 have beeni ncludedi n the balance of due from related parti es.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. COMMITMENTS

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Contracted, but not provided for:			
Property, plant and equipment	369,671	397,317	321,109
Capital contributions payable to an investment included in financial assets at fair value through other comprehensive income	—	85,958	423
	369,671	483,275	321,532

45. PLEDGE OF ASSETS

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

The summary of the pledged assets is as follows:

(a) As at 31 December 2018 and 30 September 2019, 100% of the shares of Shenzhen Topknow Industrial Development Co., Ltd were pledged to secure certain bank loans.

(b) As at 31 December 2017, 31 December 2018 and 30 September 2019, bills receivable amounting to RMB80,000,000, RMB95,000,000 and RMB445,000,000, respectively were pledged to secure certain bank loans.

(c) As at 31 December 2017, 31 December 2018 and 30 September 2019, the assets (including property, plant and equipment, equity investments designated at fair value through other comprehensive income, inventory, trade and bills receivables, and cash and cash equivalents) of a subsidiary, totally amounting to RMB1,111,883,000, RMB1,485,333,000 and RMB1,553,668,000, respectively, were mortgaged to obtain loans from certain banks.

(d) As at 31 December 2018 and 30 September 2019, the bank deposits secured for performance guarantees margin and bank acceptances margin were RMB3,873,000 and RMB91,946,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

46. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related parties	Relationship with the Group
Mr. Li Li and Ms. Li Tan -9€ Å¦Þ"®!	Controlling Shareholders
Shenzhen Leren Technology Co., Ltd. "•Ý –^zpÆ³ ¥«†8€Þ"¥«•	Controlling Shareholders
Urumqi Jinitantu Equity Investment Partnership (Limited Partnership) "•Ý -8ipÆ³ Þ"®!	Controlling Shareholders
Urumqi Feilaishi Equity Investment Co., Ltd.	Controlling Shareholders
Mr. Shan Yu "•Ý åiÈpÆ³ ¥«†8€Þ"¥«•	Shareholder and key management and a close family member of the Controlling Shareholders
Urumqi Shuid Shichuan Equity Investment Partnership (Limited Partnership) ("Shuid Shichuan")	Shareholder of the company and controlled by a close family member of the Controlling Shareholders
Aids Pharmaceuticals Inc	Minority shareholder of a subsidiary
OncoQuest Inc.	Associate
Resverlogix Corp.	Associate
Shenzhen Asia Pacific Health Management Co., Ltd. -9-Ä pM#Þ"®!	Associate

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

(b) Significant related party transactions

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue from sales of products				
OncoQuest Inc.	10,100	3,569	2,852	6,990
Acquisition of a subsidiary (Note (i))				
Controlling shareholders	—	1,765,660	—	—
Mr. Shan Yu	—	55,460	—	—
Shuid Shichuan	—	33,600	—	—
	—	1,854,720	—	—

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

(c) Other related party transactions

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

46. RELATED PARTY TRANSACTIONS—continued

(d) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 31 December 2017, 2018 and 30 September 2019.

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Due from related parties			
Trade receivables (trade in nature) (Note (i))			
OncoQuest Inc.	8,427	503	8,730
Other receivables (non-trade in nature)			
Controlling Shareholders (Note (iii))	—	—	236,616
Mr. Shan Yu (Note (iii))	—	—	7,433
Shuid Shichuan (Note (iii))	—	—	4,502
Resverlogix Corp.	41,858	43,965	45,309
Total receivables from related parties	50,285	44,468	302,590
Due to related parties			
Controlling Shareholders (Note (ii))	—	1,119,530	—
Mr. Shan Yu (Note (ii))	—	35,168	—
Shuid Shichuan (Note (ii))	—	21,302	—
Aridis Pharmaceuticals Inc.	—	2,472	3,189
Deposit received (trade in nature)			
OncoQuest Inc.	2,122	2,229	2,298
Total payables to related parties	2,122	1,180,701	5,487

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

(ii) In 2018, the Company acquired 100% shares of Shenzhen Topknow Industrial Development Co. Ltd ("Topknow") with cash consideration of RMB2,400,000,000 from Controlling Shareholders, Mr. Shan Yu, Shuid Shichuan and other shareholders (Collectively "The Acquisition of Topknow"). As at 31 December 2018, the payables due to the Controlling Shareholders, Mr. Shan Yu and Shuid Shichuan were RMB1,119,530,000, RMB35,168,000 and RMB21,302,000. Further details about The Acquisition of Topknow are included in note 41 to the Historical Financial Information.

(iii) According to certain conditions stipulated by the supplementary agreements on The Acquisition of Topknow, the Controlling Shareholders, Mr. Shan Yu and Shuid Shichuan are required to pay a contingent consideration based on the achievement of the profit targets of Topknow. As at 30 September 2019, based on the projected profit performance of Topknow, the fair value of the contingent consideration arrangement was estimated to be RMB248,551,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

46. RELATED PARTY TRANSACTIONS—continued

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

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	6,978	8,492	3,863	3,892
Performance related bonuses	—	2,390	—	—
Pension scheme contributions	250	273	204	218
	7,228	11,155	4,067	4,110

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

Group

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

Financial assets	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	1,255,048	1,197,660	1,603,835
Derivative financial instruments	43,150	77,174	6,811
	1,298,198	1,274,834	1,610,646
Financial assets at fair value through other comprehensive income:			
Equity investments designated at fair value through other comprehensive income	550,363	608,785	649,811
At amortized cost:			
Trade and bills receivables	703,202	1,084,489	1,054,996
Due from related parties	50,285	44,468	302,590
Financial assetsincludedin prepayments, other receivables and other assets	259,088	126,627	67,763
Pledged deposits	6,141	3,837	52,027
Time deposits	2,860,549	591,809	127,510
Cash and cash equivalents	730,470	1,526,100	1,177,083
	4,609,735	3,377,330	2,781,969

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

47. FINANCIAL INSTRUMENTS BY CATEGORY—continued

Financial liabilities

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
At amortized cost:			
Trade and bills payables	162,474	205,273	253,569
Due to related parties	2,122	1,180,701	5,487
Financial liabilities included in other payables and accruals	133,439	235,636	221,196
Interest-bearing bank and other borrowings	5,084,065	4,912,924	6,360,858
Lease liabilities	156,030	137,527	126,641
	5,538,130	6,672,061	6,967,751

Company

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

Financial assets

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	499,155	507,852	731,266
Derivative financial instruments	43,150	77,174	6,811
	542,305	585,026	738,077
Financial assets at fair value through other comprehensive income:			
Equity investments designated at fair value through other comprehensive income	281,583	69,423	32,143
At amortized cost:			
Trade and bills receivables	174,840	129,741	187,512
Due from related parties	1,207,755	2,281,000	3,011,142
Financial assets included in prepayments, other receivables and other assets	242,011	104,235	44,269
Time deposits	2,860,549	590,809	127,510
Cash and cash equivalents	367,389	1,033,773	666,690
	4,852,544	4,139,558	4,037,123

Financial liabilities

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
At amortized cost:			
Trade and bills payables	6,516	13,672	6,676
Due to related parties	120,285	1,509,833	145,488
Financial liabilities included in other payables and accruals	39,971	140,677	109,072
Interest-bearing bank and other borrowings	2,353,835	2,572,288	4,198,167
Lease liabilities	21,547	21,704	37,232
	2,542,154	4,258,174	4,496,635

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2017 and 2018 and 30 September 2019, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as EV/EBITDA multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

The Group enters into derivative financial instruments with various counterparties, principally investment in association Derivative financial instruments, including warrants, forward currency contracts and foreign currency swaps, are measured using valuation techniques similar to Black-Scholes Model and forward pricing and swap models, using present value calculations. The models

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps are the same as their fair values.

As at 31 December 2017, 31 December 2018 and 30 September 2019, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2017

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

As at 31 December 2018

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

Fair value hierarchy—continued

Assets measured at fair value: continued

As at 30 September 2019
(Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income	42,095	607,716	—	649,811
Financial assets at fair value through profit or loss	—	1,603,835	—	1,603,835
Derivative financial instruments	—	6,811	—	6,811
	42,095	2,218,362	—	2,260,457

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Financial assets at fair value through profit or loss			
At 1 January	134,411	146,204	—
Total gains/(losses) recognized in the statement of profit or loss included in other income	11,793	(26,204)	—
Purchases	—	—	—
Disposals	—	(120,000)	—
At 31 December/At 30 September	146,204	—	—

Assets for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged deposits, non-current portion	—	6,141	—	6,141

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION„continued

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

Fair value hierarchy„continued

Assets for which fair values are disclosed:„continued

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB•000	RMB•000	RMB•000	RMB•000
Pledged deposits, non-current portion	„	3,837	„	3,837

As at 30 September 2019
(Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB•000	RMB•000	RMB•000	RMB•000
Pledged deposits, non-current portion	„	52,027	„	52,027

Liabilities for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB•000	RMB•000	RMB•000	RMB•000
Lease liabilities	„	156,030	„	156,030
Interest-bearing bank borrowings	„	5,084,065	„	5,084,065
	„	5,240,095	„	5,240,095

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB•000	RMB•000	RMB•000	RMB•000
Lease liabilities	„	137,527	„	137,527
Interest-bearing bank borrowings	„	4,912,924	„	4,912,924
	„	5,050,451	„	5,050,451

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

Fair value hierarchy—continued

Liabilities for which fair values are disclosed: continued

As at 30 September 2019
(Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	—	126,641	—	126,641
Interest-bearing bank borrowings	—	6,360,858	—	6,360,858
	—	6,487,499	—	6,487,499

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

31 December 2017

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

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

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

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

Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2017 and 2018 and 30 September 2019, approximately 70%, 56% and 71% of the Group's interest-bearing borrowings bore interest at fixed rates, respectively.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
		RMB'000	RMB'000
Year ended 31 December 2017	25	(5,425,624)	—
	(25)	5,425,624	—
Year ended 31 December 2018	25	(4,961,426)	—
	(25)	4,961,426	—
Nine months ended 30 September 2019	25	(4,667,548)	—
	(25)	4,667,548	—

* Excluding retained profits

Foreign currency risk

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Foreign currency risk continued

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

	Year ended 31 December		Nine months ended 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
RMB/USD			
Strengthened 5%	(12,297)	(5,741)	(60,260)
Weakened 5%	12,297	5,741	60,260
RMB/EUR			
Strengthened 5%	6,693	(846)	(50,509)
Weakened 5%	(6,693)	846	50,509

Credit risk

An impairment analysis was performed at 31 December 2017 and 2018 and 30 September 2019 using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging as at 31 December 2017 and 2018 and 30 September 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2017 and 2018 and 30 September 2019. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2017

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Credit risk continued

At 31 December 2018

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

At 30 September 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	1,054,996	1,054,996
Financial assets included in prepayments, deposits and other receivables					
—Normal**	63,621	—	—	—	63,621
—Doubtful**		—	4,142		4,142
Amounts due from related parties	293,860	—	—	8,730	302,590
Pledged deposits	52,027	—	—	—	52,027
Time deposits	127,510	—	—	—	127,510
Cash and cash equivalents	1,177,083	—	—	—	1,177,083
	1,714,101	—	4,142	1,063,726	2,781,969

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

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

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

— significant financial difficulty of the debtor;

— a breach of contract such as a default or past due event;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation;

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Credit risk continued

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

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

Liquidity risk

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

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

	As at 31 December 2017			
	On demand	Less than 1 year	1 to 3 years	Over 3 years

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Liquidity risk continued

(Unaudited)

	As at 30 September 2019				
	On demand	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	250,609	2,742	218	253,569
Financial liabilities included in other payables and accruals	221,196	—	—	—	221,196
Interest-bearing bank borrowings	—	4,778,666	413,004	1,659,582	6,851,252
Due to related parties	5,487	—	—	—	5,487
Lease liabilities	—	39,435	54,573	54,065	148,073
	226,683	5,068,710	470,319	1,713,865	7,479,577

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

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

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)
Total assets	14,208,856	13,844,278	15,192,829
Total liabilities	6,155,087	7,567,945	7,986,757
Asset-liability ratio	43%	55%	53%

50. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2019.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION OF EQUITY HOLDERS

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor who purchases such H Shares in the **[REDACTED]** and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong as in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section does not address any aspects of Hong Kong or PRC taxation other than income tax, capital gains tax, value-added tax, stamp duty and estate duty. Prospective investors are advised to consult their own tax advisors regarding the tax consequences of holding and disposing of H Shares in the PRC, Hong Kong and other jurisdictions.

PRINCIPAL TAXATION OF OUR COMPANY BY THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (• • 6 [O • q 7 † 8 Ô { ü , ‘) (the "**EIT Law**"), which was promulgated by the NPC on March 16, 2007, implemented on January 1, 2008, and subsequently revised on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (• • 6 [O • q 7 † 8 Ô { ü , ¼ D â 7 ‘ theTH8()-249.3(retr-250.7(tax)-250.7(la002uthorit 851.2(s)-249.3(ntechar254.3(3ulepursua390(25PR4)-62

within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (•ërŒ&ªš 8ü·D#=ü ÃY·]‘), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

The Notice on the Adjustment to VAT Rates (•ëõ Æ#=üü Y·]‘), promulgated by the MOF and the SAT on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (•«®q0¥$9 AërÁÔ{'5P Düq#ß üYÄ°‘), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (•7•ü <…ër <« ®q0¥$9 AërÁÔ{'5P Düq#ß üYÄ° >K,D›ã‘), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (•7•ü <…ërB ü×X›p¹â›Þë*ZY·]‘).

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (••6[O•q7H[Ô{ü,‘) (the "**IIT Law**"), which was last amended on August 31, 2018 and came into effect on January 1, 2019 and the Implementation Provisions of the Individual Income Tax Law of the PRC (••6[O•q7H[Ô {ü,¼Dâ7‘), which was last amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. According to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (•ë õj9®!p¹Î;¨9·H[Ô{üA Þë*ZY·]‘) (Ìü [2015]101î) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the income from dividends shall be exempted from personal income tax for the time being. Where an individual acquires the stocks of a listed company in a public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, only 50% of the income from dividends shall be included into the taxable incomes of the individual. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%. For a foreigni individual whoi s not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the MOF or exempted by an international convention or agreement to which the PRC governmenti s a party.

Pursuant to the Notice of the SAT on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (•7•ü <… ër7üï [1993]045îÖ•;ß ÞëH[Ô{üDM*ZY·]‘) (7üL [2011]348î) promulgated by the SAT on June 28, 2011, the residenti individual investors outside the PRC who are the shareholders of the shares issued in public offerings by domestic non-foreign invested enterprises in Hong Kong enjoy preferential tax ratei n accordance with the tax conventions between Mainland China and the country where the residents reside. The PRCi individual income tax at the rate of 10%i s applicable to dividends paid by a non-foreigni nvested PRC enterprise (the "**Relevant Non-foreign Invested PRC Enterprise**") to foreign

resi dent i nd vi dual i nvestors (the "**Relevant Individual Investors**") hold ng shares publ cly offered by the Relevant Non-fore gn PRC Enterpr se i n Hong Kong and no appl cat on for approval from the taxat on author ty i n the PRC i s requ red. In case the 10% tax rate i s not appl cable, the Relevant Non-fore gn Invested PRC Enterpr se shall: (i) apply on behalf of the i nvestors to seek ent tlement of the preferent al tax treatment for lower tax rates i f the countr es of the Relevant Ind v dual Investors have entered i nto i ncome tax treat es w th the PRC w th tax rates lower than 10%, and arrange for refund of over payment upon approval by the tax author ty accord ng to the Regulat ons on the Adm n strat on of Tax Treat es for Non-res dent Taxpayers (• ¢ ¢ O v ü [. a ü × X › > M # l , ') (SAT Announcement No. 60 of 2015); (i i) pay the tax at such rates as agreed i f the countr es of the Relevant Ind v dual Investors have entered i nto i ncome tax treat es w th the PRC w th tax rates h gher than 10% but lower than 20%, and no appl cat on i s requ red; (i ii) pay the personal i ncome tax at the rate of 20% i f the countr es of the Relevant Ind v dual Investors have not entered i nto any taxat on treat es w th the PRC or otherw se. A 10% PRC w thhold ng tax w ll generally be w thheld on d v dends pa d to Relevant Ind v dual Investors unless the i dent ty of the i nvestor and the appl cable tax rate are known to us.

Pursuant to the C rcular on Certa n Pol cy Quest ons Concern ng Ind v dual Income Tax (• ë r H [Ô { ü ð • A * Z Y ·] '), wh ch was i ssued by MOF and SAT on May 13, 1994 and came i nto effect on the same date, the i ncomes ga ned by i nd v dual fore gners from d v dends and bonuses of enterpr se w th fore gn i nvestment are exempt from i nd v dual i ncome tax for the t me be ng.

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Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (•ëõH[7+pCÔ{1ƒr5D×H[Ô{üY·]‘) issued by the MOF and the State Administration of Taxation on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (•ëõH[7+j9®!"/pÔ{D×H[Ô{üÞë*ZY·]‘), which states that individuals' income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (•ëõH[7+j9®!"/pÔ{D×H[Ô{üÞë*ZYþ·]‘) jointly issued by the above three departments on November 10, 2010).

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-Chinese residential individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC residential individuals on gains from the sale of H shares.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (••6[O•q7™€ürâ7‘), which came into effect on October 1, 1988 and amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (••6[O•q7™€ürâ7DZÆ‘), which came into effect on October 1, 1988, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

The PRC currently does not impose any estate duty.

Shenzhen-Hong Kong Stock Connect Taxation Policy

On November 5, 2016, Ministry of Finance, State Taxation Administration and China Securities Regulatory Commission jointly promulgated the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (•ër¥pC9tø•L••ÚSÃÞëü×AY·]‘) ("**SZHK Stock Connect Tax Policies**"), which clearly set forth tax policies applicable to transactions via SZHK Stock Connect and took effect on December 5, 2016.

According to the SZHK Stock Connect Tax Policies, revenues gained by mainland individual investors from the price difference arising from the trade of shares on the HKEx through SHHK Stock

Connect may be exempted from VAT during China's pilot fiscal reform where the business tax is to be replaced by VAT. The dividends obtained by mainland individual investors from the listing of H-shares on HKEx via SZHK Stock Connect shall be subject to 20% personal income tax, provided that the H-share companies shall submit application to China Securities Depository and Clearing Corporation Limited ("**CSDC**"), after which CSDC will furnish them with a roster of the mainland individual investors, and the H-share companies may withdraw personal income tax at a rate of 20% in accordance therewith. If, however, dividends are generated from the listing of non-H-shares on HKEx via SZHK Stock Connect, such personal income tax at the rate of 20% will be deducted by CSDC. In

maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC on Foreign Exchange Control (• • 6 [O • q 7 . Ò M # â 7 ') (the "**Foreign Exchange Control Regulations**") and it came into effect on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (• Ò e / Ò ¿ ù Ò M # • › ') (the "**Settlement Regulations**"), which became effective on July 1, 1996. The Settlement Regulations does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which,in accordance with regulations, are required to pay dividends to their shareholdersin foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business orinstitutions that carries settlement and sale business.

On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (•7•.Ò M#...ër¤.j9.ÒM#Þë*ZY·]'), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas **[REDACTED]**, register the overseas **[REDACTED]** with the Administration of Foreign Exchange at the place ofits establishment; the **[REDACTED]** from an overseas **[REDACTED]** of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the **[REDACTED]** shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall presentits certificate of overseas **[REDACTED]** to open a special account at a local bank foritS **[REDACTED]** (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

On February 13, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (•7•.ÒM#...ërtSÉ·q·t\Ÿ³.ÒM#AY·]'). The notice came into effect on June 1, 2015. The notice has canceled two of the administrative examination and approvalitems, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment,instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE andits branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (•7•.ÒM#...ër ·'q•Í I°f ÒM#AY·]')issued by the SAFE and came into effect on June 9, 2016, foreign currency earningsin capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas **[REDACTED]**) may undertake foreign exchange settlementin the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earningsin capital account of domestic institutionsis 100%, subject to adjustment of the SAFEin due timein accordance withinternational revenue and expenditure situations.

On January 26, 2017, Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (•7•.ÒM#...ërtSÉªt.ÒM#·'• F¼¥•Ì2èY·

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III—Taxation and Foreign Exchange" to this document. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC and Hong Kong company laws, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers. The principal objective of this summary is to provide potential **[REDACTED]** with an overview of the principal laws and regulatory provisions applicable to the Company. This summary is not intended to include all the data which may be important to the potential **[REDACTED]**. For discussion of the laws and regulations which are relevant to our business, please see the "Regulatory Environment" section of this document.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (••6[O•q7®,' , the "**Constitution**"), which was adopted on December 4, 1982 and amended five times on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (••6[O•q7m,,' , the "**Legislation Law**"), which was adopted on July 1, 2000 and amended on March 15, 2015. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to interpret, supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific

into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. The people's congresses or their standing committees of the provinces and cities where special economic zones are located may, upon authorization by the National People's Congress, formulate regulations and enforce them within the special economic zones.

The ministries and commissions of the State Council, People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within their jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (•Œ7[Oþ Œ}6l ‰p6ërAN, Q^*Y@QD') implemented on June 10, 1981, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations & Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the above mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations as well as administrative rules is vested in the regional legislative and administrative authorities which promulgate such laws, regulations and rules.

The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC (••6[O•q7[O,ë\,'), which is adopted on January 1, 1980 and amended three times on September 2, 1983, December 2, 1986 and October 31, 2006, the PRC judicial system is made up of

limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a legally effective judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

The PRC Company Law, Special Regulations' the Mandatory Provisions and Official Reply

The PRC Company Law (• • 6 [O • q 7 ® ! , ') was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018. The latest revised PRC Company Law was implementedi sfy If Allpublalnas nartcs-552.5(or)]254.432he TOMng nat 435.2(the)-328(42,)d nte-3 -1

incorporated in the Articles of Association. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with overseas-listed foreign invested shares to be issued.

According to the Official Reply, promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law, and the Special Regulations will no longer apply to the aforesaid matters.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations, the Mandatory Provisions and Official Reply.

General

A "joint stock limited company" ("company") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duways-378(5)-445 pany'i 3 - theloard278.7(thbe)-28tal thel-ct-313.6TJ-1ate SpecialAssociaon, 1ubscribe w(authori 311(suociaon,)-

specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inaugurating meeting within 30 days from the date of the full payment of subscription monies. The inaugurating meeting shall be formed by the promoters and subscribers. Where the shares issued remain under subscribed by the cut-off date stipulated in the share offering document, or where the promoter fails to convene an inaugurating meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inaugurating meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

A company's promoter shall be liable for the following:

— the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;

— the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

— the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any overvaluation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of CSRC to offer its shares to the overseas public. According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign

investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and listed overseas are classified as overseas-listed foreign shares, and those shares issued to investors within the PRC, are known as domestic shares. Qualified foreign institutional investors approved by CSRC may hold domestic listed shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas-listed foreign shares, to retain not more than 15% of the aggregate number of such overseas-listed foreign invested shares proposed to be issued in addition to the number of underwritten shares. The issuance of the retained shares is deemed to be a part of this issuance.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

— the name and domicile of each shareholder;

— the number of shares held by each shareholder;

— the serial numbers of shares held by each shareholder; and

— the date on which each shareholder acquired the shares.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by CSRC, a new share offering document and financial accounting report must be published and a subscription form must be prepared. After the issue of new share the company has been paid up, the change must be registered with the relevant company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company ssthebe tbal9.3(gen55)-375.2((monie1 TD( )Tj /Fan-247.6(tsuchnto.8(a)]8rdance)-9(fo

— the company must apply to the relevant administration bureau for industry and commerce for registration of the change on the reduction of registered capital.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

(1) Reducing the registered capital of the company.

(2) Merging with another company that holds its shares.

(3) Using shares for employee stock ownership plan or equity incentives.

(4) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company.

(5) Using shares for converting convertible corporate bonds issued by the listed company.

(6) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of holders of ordinary shares of a company include:

- to receive a return on assets, participate in significant decision-making and select management personnel;
- to petition on the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors that has not been convened in compliance with the laws, administrative regulations or the articles of association or whose voting has been conducted in an invalid manner, or any resolution on the contents of which are in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;
- to transfer the shares of the shareholders in accordance with laws, administrative regulations and provisions of the articles of associations;
- to attend or appoint a proxy to attend shareholders' general meetings and vote at the meetings;
- to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;
- to receive dividends in respect of the number of shares held;
- to participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company;
- and any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription moniesin respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powersin accordance with the PRC Company Law. The general meeting may exercise its powers:

- to decide on the company's operational objectives andinvestment plans;
- to elect and dismiss the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;
- to review and approve the reports of the board of directors;
- to review and approve the reports of the supervisory board;
- to review and approve the company's annual financial budgets and final accounts;
- to review and approve the company's profit distribution proposals and loss recovery proposals;
- to decide on anyincrease or reduction of the company's registered capital;
- to decide on theissue of corporate bonds;
- to decide on merger, division, dissolution and liquidation of the company or change ofits corporate form;
- to amend the company's articles of association; and
- to exercise any other authority stipulatedin the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meetingis required to be held within two months of the occurrence of any of the following:

- the number of directorsis less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;
- the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;
- shareholdersindividually orin aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- the board deems necessary;
- the supervisory board proposes to hold; or
- any other circumstances as provided forin the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairmanis incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that

the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present in person (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and the other matters must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders (including proxies thereof) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

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— to formulate the company's basic management system; and

— to exercise any other authority stipulated in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

— a person who is unable or has limited ability to undertake any civil liabilities;

— a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the social st market economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

— a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

— a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

— a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, any executive director or the manager. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

— to review the company's financial position;

— to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings;

— when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

— to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

— to submit proposals to the shareholders' general meetings;

— to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

— to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (•• 7 Ç 9 6 . j 9 Å e 7 • · ‰ [* S ! ë r Q 0 ¥ j 9 ® ! Á ® ! Ý û * þ L · Y Y L '), which is promulgated and implemented on April 3, 1995, the chairman of the supervisory board shall be selected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

— to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

— to arrange for the implementation of the company's annual operation plans and investment proposals;

— to formulate proposals for the establishment of the company's internal management organs;

— to formulate the fundamental management system of the company;

— to formulate the company's specific rules and regulations;

— to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

— to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

— to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence.

Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

— misappropriating company funds;

— depositing company funds into accounts under their own names or the names of other individuals to deposit;

— loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

— entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;

— using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

— accepting commissions paid by a third party for transactions conducted with the company;

— unauthorized divulgence of confidential information of the company; and

— other actsin violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the

inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least

profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company earned from the issue of share and other income as required by CSRC to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of any individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. The Special Regulations require that any dividend and other distribution to shareholders of overseas-listed foreign shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

— to deal with any outstanding business related to the liquidation;

— to pay any overdue tax together with any tax arising during the liquidation process;

— to settle the company's claims and liabilities;

— to handle the company's remaining assets after its debts have been paid off; and

— to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligations in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their wilful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Special Regulations, the shares of a company shall only be listed overseas after obtaining approval from CSRC and the listing must be arranged in accordance with the procedures specified by the State Council.

According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (•ë õp...®!¤.ï pCqj9a Ö•¿2èû•Y9M8Ï') promulgated by CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions provide for a separate procedure regarding the loss of share certificates of overseas-listed foreign shares or of H share certificates, details of which are set out in our Articles of Association.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

The PRC Securities Laws, Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information of companies. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (•pCï ~tøM#râ7‘) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

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PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, also in contracts between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("**CIETAC**") or the Hong Kong International Arbitration Center ("**HKIAC**"). Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (• Õ © ¿ B . 7 € R R Ô ® Ò ' , the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the

Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (•ëõ«®~0¥$9A´•B€RRÔYÄ°') on June 18, 1999, which went into effect on February 1, 2000. The arrangements reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total registered capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shenzhen-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors, except as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (¥ø¤«Úô³k¤.ÇN³M#l,). If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on the Controlling Shareholders' disposal of Shares, after the **[REDACTED]**.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be

given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V—Summary of Articles of Association" to this document.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20% of each of the existing issued A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval or within the valid period of the approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to

investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or their individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards and regulations, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the Chinese accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under both the PRC and Hong Kong law, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may

Mandatory Transfers

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. Such arbitration is final and conclusive.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Hong Kong Listing Rules and the Mandatory Provisions, remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management) have been set out in the Articles of Association.

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN THE HONG KONG LISTING RULES AND SHENZHEN STOCK EXCHANGE LISTING RULES

As our A Shares are listed on the Shenzhen Stock Exchange, we are also subject to the Shenzhen Stock Exchange Listing Rules. Set out below is a summary of the material differences between the Hong Kong Listing Rules and the Shenzhen Stock Exchange Listing Rules:

— Periodic financial reporting

There are material differences in financial reporting standards and practices regarding, for example, industry-specific financial reporting requirements, announcement of preliminary results, form and content of periodic financial reports and post-vetting of periodic financial reports.

— Classification and disclosure requirements for notifiable transactions

The method of classification of notifiable transactions under the Hong Kong Listing Rules and the disclosure requirement pertaining to such transactions differ from those under the Shenzhen Stock Exchange Listing Rules.

— Connected transactions

The definition of a connected person under the Hong Kong Listing Rules and the definition of a related party under the Shenzhen Stock Exchange Listing Rules are different. In addition, the disclosure and shareholder approval requirements for connected transactions under the Hong Kong Listing Rules and for related party transactions under the Shenzhen Stock Exchange Listing Rules, as well as the respective exemptions are different.

— Disclosure of inside information

The scope, timing and method of disclosure of inside information are different between the Hong Kong Listing Rules and Shenzhen Stock Exchange Listing Rules.

SUMMARY OF ARTICLES OF ASSOCIATION

Set out below is a summary of the principal provisions of the Company's Articles, the objective of which is to provide **[REDACTED]** with an overview of the Company's Articles.

The Articles of Association and relevant amendments thereto were adopted by the Shareholders in Shareholders' general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law of the PRC €••6[O•q7ÇN,'• , the Special Regulations, the Mandatory Provisions, the Guidance on Articles of Association of Listed Company €•j9®!Ýû8Ï'• , the Official Reply and the Hong Kong Listing Rules, and will become effective on the date that the Company's H Shares are **[REDACTED]** on the Hong Kong Stock Exchange. As the information contained below is in summary form, it may not contain all the information that may be important to potential investors.

SHARES

Issuance of Shares

The Company shall set up ordinary Shares at any time. According to its needs, the Company may create other classes of Shares upon approval from the authorized department of the State Council.

The Shares of the Company shall be issued by the Company following the principles of open, fairness and justice, and each share in the same class shall have the same rights.

For the same class of Shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the Shares shall pay the same price for each share.

The Company's shares shall be in the form of share certificates. All the shares issued by the Company shall have a par value which shall be RMB1 for each share.

The Company may issue Shares to domestic and overseas investors upon approval by competent securities department of the State Council.

Increase, Reduction and Repurchase of Shares

The company may, in light of the company's operational and developmental needs and in accordance with laws and regulations, increase its capital by any of the following methods subject to a separate resolution of the general meeting:

(a) a public offering of shares;

(b) a private placement of shares;

(c) the payment of a bonus dividend to existing shareholders;

(d) the conversion of reserve funds into shares; or

(e) any other method stipulated in laws and regulations or approved by the CSRC.

The company may reduce its registered capital. Any reduction of its registered capital shall be subject to the procedures prescribed in the Company Law and other applicable provisions, as well as the Articles of Association.

When reducing its registered capital, the company must prepare a balance sheet and an inventory of property.

Within ten (10) days of the date on which the resolution on reducing registered capital is made, the creditors shall be notified by the company and a public announcement shall be made in the press three (3) times within thirty (30) days. A creditor shall, within thirty (30) days of receipt of such a notice or within ninety (90) days of the first public announcement where the creditor has not received the notice, have the right to require the company to settle its claim or provide a relevant debt repayment guarantee.

The registered capital after its reduction shall not be less than the statutory minimum amount.

The Company may repurchase its issued Shares in the following circumstance, after passing the procedures stipulated in laws, administrative regulations, regulations of ministries and commissions and the Articles of Association.

(a) reduction of the Company's registered capital;

(b) merging with another company holding Shares in the Company;

(c) use of its shares for carrying out an employee stock ownership plan or equity incentive;

(d) requests to the Company for acquiring their Shares from Shareholders who have voted against the resolutions passed at a Shareholders' general meeting on the merger or division of the Company;

(e) use of shares for conversion of convertible corporate bonds issued by a listed company;

(f) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity; and

(g) other circumstances permitted by laws and administrative regulations.

Except for the circumstances set out above, the Company shall not be engaged in any activities of buying and selling its Shares.

Approval shall be obtained from general meeting when the Company is to repurchase its own Shares under the circumstances (a) and (b) set out above; for a company's share buyback under any of the circumstances stipulated in item (c), item (e) or item (f) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

The shares acquired under the circumstance stipulated in item (a) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either item (b) or item (d); and the shares held in total by a company after a share buyback under any of the circumstances stipulated in item (c), item (e) or item (f) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

With the approval of the relevant competent authorities of the State Council, the Company may repurchase its Shares by the following ways:

(a) making a repurchase offer to all Shareholders in proportion to their shareholdings;

(b) repurchasing the Shares by public trading on a stock exchange;

(c) repurchasing the Shares by agreement without involving a stock exchange;

(d) by other means stipulated by laws or regulations or permitted by competent securities department of the State Council or other competent authorities.

A prior approval shall be obtained from a general meeting in respect of any share repurchase by the Company through an off-market agreement in accordance with the provisions of our Articles. After the general meeting has given its approval in the same way, the Company may rescind or alter any contracts entered into in the said manner or waive any rights under such contracts.

The contract to repurchase Shares as referred to in the paragraph includes, but is not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase Shares.

Company shall not assign a contract for repurchasing its Shares or any of its rights thereunder.

Where the Company has the right to repurchase redeemable Shares by means other than repurchases through the market or by tender, the repurchase price shall be limited to a maximum price; if repurchases are made by tender, an invitation for tenders shall be made to all Shareholders alike.

Unless the Company is undergoing liquidation, it shall comply with the following requirements with respect to a repurchase of its issued Shares:

(a) for repurchases of Shares by the Company at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose;

(b) where the Company repurchases its Shares at a premium to its par value, payment up to the par value shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. Payment of the portion which is in excess of the par value shall be made as follows:

(i) if the Shares being repurchased are issued at par value, payment shall be made from the book balance of its distributable profits; or

(ii) if the Shares being repurchased are issued at a premium to its par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. However, the amount deducted from the proceeds of issuance of new Shares shall not exceed the aggregate amount of the premium received by the Company from the issuance of the Shares so repurchased, nor shall it exceed the amount in the Company's capital reserve fund account (including premium on the new issue) at the time of such repurchase;

(c) the Company shall make the following payments from the Company's distributable profits:

(i) acquisition of the rights to repurchase its own Shares;

(ii) variation of any contracts for the repurchase of its Shares; or

(iii) release from its obligations under any repurchase contracts;

(d) after the aggregate par value of the canceled Shares is deducted from the Company's registered capital in accordance with the relevant provisions, the amount deducted from

period of twelve months commencing on the date on which the aforesaid six months expires, the shares disposed by them through the listing on Stock Exchange shall not exceed fifty percent of their total holdings of Shares of the Company.

Financial Assistance for the Acquisition of Shares in Our Company

The Company or its branches and sub-branches and its subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers who will or who intend to purchase the Company's Shares. The aforementioned purchasers include both persons who have directly or indirectly assumed obligations due to purchasing the Company's Shares.

The Company and its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or relieve the obligations of the aforesaid obligors.

"Financial assistance" referred to in our Articles shall include, without limitation, the following means:

(a) financial assistance given as gifts;

(b) financial assistance given by guarantee (including the assumption of liability by the guarantor or the provision of properties by the guarantor to secure the performance of obligations by the obligor), indemnity (other than an indemnity in respect of the Company's neglect or default) or the release or waiver of any rights;

(c) the provision of loans or the entrance into any agreement under which the obligations of the Company are to be fulfilled prior to the obligations of another party, and a change in the parties to, and the assignment of rights arising under such loans or agreement; or

(d) any other form of financial assistance given by the Company when the Company is insolvent, has no net assets, or under any other situations when its net assets would be reduced to a material extent.

The "obligations" referred to in the Articles shall include the obligations of an obligor which have arisen from entering into an agreement or making an arrangement (regardless of whether such agreement or arrangement is enforceable, or whether such obligations are assumed by the obligor individually or jointly with any other person) or any obligations that arise out of changes made in any other way to the obligor's financial condition.

The acts listed below are not prohibited by the preceding three paragraphs, subject to any prohibitions by laws and administrative regulations:

(a) the financial assistance provided by the Company is either genuinely for the interests of the Company and the main purpose of the financial assistance is not to purchase Shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;

(b) the lawful distribution of the Company's properties in the form of dividends;

(c) the distribution of dividends in the form of Shares;

(d) the reduction of registered capital, repurchase of Shares, and adjustment of shareholding structure, etc. in accordance with our Articles;

(e) the provision of a loan by the Company within its scope of business and in the ordinary course of business (provided that this does not lead to a reduction in the net assets of the Company or that if this causes a reduction, the financial assistance is taken from the Company's distributable profits); or

(f) provision of funds by the Company for an employee shareholding scheme (provided that this does not lead to a reduction in the net assets of the Company or that if there causes a reduction, the financial assistance is taken from the Company's distributable profits).

Register of Shareholders

The Company shall have a Shareholders register to record the following matters:

(a) the name, address (domicile), occupation or nature of each Shareholder;

(b) the class and number of Shares held by each Shareholder;

(c) the amount paid or payable for the Shares held by each Shareholder;

(d) the serial number(s) of the share certificate(s) held by each Shareholder;

(e) the date on which each Shareholder is registered as a Shareholder;

(f) the date on which each Shareholder ceases to be a Shareholder.

Unless there is proof to the contrary, the register of Shareholders shall be sufficient evidence to the holding of the Shares of the Company by a Shareholder.

Subject to the Articles of Association and other applicable regulations, once the Shares of the Company are transferred, the name of the transferee shall be listed in the Shareholders' register as the holder of the said Shares.

Transfer of Shares shall be registered at domestic and overseas-listed share transfer register agencies assigned by the Company and recorded in the Shareholders' register.

SHARE HOLDERS AND SHAREHOLDERS' GENERAL MEETING

Rights and Obligations of Shareholders

The Shareholders holding ordinary Shares shall enjoy the following rights:

(a) to receive dividends and other kinds of distributions as determined by the number of Shares held by them;

(b) to request, convene, host, attend or appoint a proxy to general meetings according to laws, and to exercise voting rights based on the number of the Shares held by them;

(c) to supervise the operations of the Company, and to make suggestions and enquiries accordingly;

(d) to transfer, bestow or pledge of the Shares held by them in accordance with the laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the provisions of the Company's Articles;

(e) to obtain relevant information in accordance with our Articles, including:

(i) to obtain the Company's Articles after paying the production costs thereof;

(ii) to acquire the right to inspect and duplicate after paying a reasonable charge:

(1) all parts of the register of Shareholders;

(2) personal information of the Directors, Supervisors, General manager and other senior management personnel of our Company, including:

(a) present and former name or alias;

(b) principal address (place of domicile);

(c) nationality;

(d) primary and all other part-time occupations and duties;

(e) identification document and its number.

(3) information on the share capital of the Company;

(4) reports on the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares in relation to any repurchase by the Company of its own Shares since the last financial year, as well as all the expenses paid by the Company in relation to such repurchases (classified as domestic Shares and foreign-invested Shares);

(5) bond stub of the Company;

(6) minutes of the Shareholders' general meetings (only for Shareholders to inspect) and special resolutions of the Company, resolutions of the Board and resolutions of the Supervisory Committee;

(7) the latest audited financial statements of the Company, and the reports of the Board, auditors and the Board of Supervisors;

(8) financial and accounting reports; or

(9) the latest issue of annual report already submitted to the Administration for Industry and Commerce of PRC or other competent authorities for filing.

The Company shall keep documents and any other applicable documents related to Item (1), (3), (4), (6) (7), (8) and (9) at the Company's Hong Kong domicile for public and Shareholders to inspect free of charge according to provisions of Hong Kong Listing Rules;

(f) to participate in the distribution of the remaining assets of the Company based on the number of Shares held in the event of the Company's dissolution or liquidation;

(g) to demand the Company to acquire their Shares (for Shareholders who dissagree with the resolutions adopted at a Shareholders' general meeting in relation to the merger or division of the Company); and

(h) with respect to shareholders individually or jointly hold 3% or above shares of the Company, the right to propose extraordinary resolutions and submit to the Board in written 10 days before the date of general meeting;

(i) to have other rights conferred in accordance with the law, administrative regulations, regulations of ministries and commissions or listing rules for stock exchanges where the Company's Shares are listed and our Articles.

Company shareholders holding ordinary Shares shall have the following obligations:

(a) to abide by laws, administrative regulations regulations of ministries and commissions or listing rules for stock exchanges where the Company's Shares are listed and our Articles;

(b) to provide share capital according to the shares subscribed for and share participation methods;

(c) not to return shares unless prescribed otherwise in laws and administrative regulations;

(d) not to abuse shareholders' rights to infringe upon the interests of the company or other shareholders; not to abuse the company's status as an independent legal entity or the limited liability of shareholders to damage the interests of the company's creditors;

Any company shareholder who abuses shareholders' rights and causes the company or other shareholders to suffer a loss shall be liable for making compensation in accordance with the law;

Any company shareholder who abuses the status of the company as an independent legal entity or the limited liability of shareholders to evade debts and seriously damages the interests of the company's creditors shall assume joint and several liability for the company's debts. And

(e) other duties prescribed in the law, administrative regulations, regulations of ministries and commissions or listing rules for stock exchanges where the Company's Shares are listed and our Articles.

In addition to obligations as required by laws, administrative regulations or the listing rules of the stock exchange on which the company's shares are listed, a controlling shareholder when exercising its shareholding rights shall not exercise its voting rights to make decisions on the following matters which harm the interests of all or some shareholders:

(a) To exempt a director or supervisor from his/her responsibility for acting in good faith for the best interests of the company;

(b) To approve the expropriation of the company's property by a director or supervisor (for his/her own interests or another's interests) through any means including (but not limited to) any opportunity which is beneficial to the company; or

(c) To approve the divestment of other shareholders' individual rights and interests by a director or supervisor (for his/her own interests or another's interests), including (but not limited to) any distribution rights and voting rights, but not including where the matter is submitted to the shareholders' meeting for adoption in accordance with the company's Articles of Association that there be reorganization of the company.

Power of the Meeting and Matters to be Determined

The Shareholders' general meeting shall be the governing organ of the Company. It may exercise the following powers in accordance with the law:

(a) to decide on the business policies and investment plans of the Company;

(b) to elect and replace Directors and Supervisors which are not appointed as representatives of the employees and to decide on the remuneration of the relevant Directors and Supervisors;

(c) to review and approve reports made by the Board;

(d) to review and approve reports made by the Supervisory Committee;

(e) to review and approve the Company's proposed annual financial budget and final accounts;

(f) to review and approve the Company's plans for profit distribution and loss recovery plans;

(g) to adopt resolutions concerning the increase or reduction of the Company's share capital;

(h) to adopt resolutions on the issuance of bond;

(i) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(j) amendment of the Articles of Association;

(k) to adopt resolutions on the engagement, dismissal or discontinuation of the appointment of accounting firms;

(l) to review the proposals raised by the Shareholders severally or jointly representing above three percent of the Company's Shares with voting rights;

(m) to review and approve the guarantees stated in the Article 68 of the Articles;

(n) to review and approve the issues that the Company purchases or sells any major assets of which the amount exceeds 30% of its latest audited total assets;

(o) to review and approve matters relating to the modification of raised fund purpose;

(p) to review and approve the share incentive schemes; and

(q) to review and approve other issues which should be decided by the Shareholders' general meeting as stipulated by laws, administrative regulations, regulations of ministries and commissions and listing rules for stock exchanges where the Company's Shares are listed or our Articles.

Resolutions at the general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights represented by Shareholders (including proxies) present at the meeting.

Special resolutions of the general meeting shall be passed by more than two thirds of the voting rights represented by Shareholders (including proxies) present at the meeting.

The following matters shall be approved by general meeting by special resolutions:

(a) increasing or reducing the share capital of the Company and issuing Shares of any class, equity warrants and other similar securities;

(b) the issuance of corporate bonds;

(c) division, merger, dissolution, liquidation of the Company or change in the form of the Company;

(d) amendment to the Articles of Association;

(e) any purchase or disposal of substantial assets made, or guarantee provided by the Company within one year, with an amount exceeding 30% of the latest audited total assets of the Company;

(f) share incentive schemes;

(g) adjustment or change of the profit distribution policy;

(h) other matters stipulated by laws, administrative regulations, listing rules for stock exchanges where the Company's Shares are listed or the Articles of Association, or matters which are determined by an ordinary resolution of the general meeting to be of material significance to the Company and are required to be approved by way of special resolutions.

Notice of the Meeting

The Shareholders' general meetings shall be divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year, and be held within six months after the end of each accounting year.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(a) the number of Directors is less than the minimum number required by the PRC Company Law or less than two-thirds of the number stipulated in our Articles;

(b) the outstanding loss of the Company is at least one-third of the Company's total paid-up share capital;

(c) when Shareholders who individually or jointly holding more than ten percent of the Company's Shares with voting rights request in writing to convene an extraordinary general meeting; the number of Shares held by the Shareholders shall be calculated as at the date of requisition writing made by him/her;

(d) the Board deems it necessary to convene the meeting;

(e) the Supervisory Committee proposes to convene the meeting; or

(f) any other circumstances as stipulated by laws, administrative regulations, regulations of

(b) specify the time, venue and duration of the meeting;

(c) state the matters and proposals to be deliberated at the meeting;

(d) provide to Shareholders with all necessary information and explanation to enable Shareholders to make informed decisions on the matters to be discussed. This means that when (including but not limited to) any merger, share repurchase, share capital reorganization or any proposals relating to change in the structure of the Company are involved, the detailed terms of the proposed transaction, copies of the proposed agreement (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;

(e) if any of the Directors, Supervisors, General manager and other senior management personnel have material interest in the matters to be discussed, they shall disclose the nature and extent of such interest; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor, General manager and other senior management personnel as Shareholders compared to other Shareholders of that same class, they shall explain this difference;

(f) the full text of any proposed special resolution to be voted on at the meeting;

(g) a prominent statement stating that all Shareholders entitled to attend the meeting and appoint proxy by written to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Company;

(h) the time and venue for delivering the proxy form authorizing the proxy to vote of the relevant meeting;

(i) specify the date of registration of sharehold ngs of Shareholders who are entitled to attend the Shareholders' general meeting. The interval between date of registration and the meeting shall not be more than 7 business days. The date of registration cannot be changed once determined; and

(j) the name and phone number of the contact person of the meeting.

Unless otherwise stipulated by laws, administrative regulations, listing rules for stock exchanges where the Company's Shares are listed or the Articles, the notice of a Shareholders' general meeting shall be delivered by hand or prepaid mail to all Shareholders (regardless of whether they have voting rights at the Shareholders' general meeting). The address of the recipients shall be the address registered in the register of Shareholders. For holders of domestic Shares, the notice of a Shareholders' general meeting may be in the form of an announcement.

The aforesaid announcement shall be published in one or more newspapers, specified by competent securities department of the State Council between twenty to twenty-five working days interval prior to the date on which the annual general meetings meeting, and between fifteen to twenty working days (and not less than 10 working days) interval prior to the date on which the extraordinary general meetings is to be convened, and All holders of domestic Shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.

Provided that such action is complied with relevant laws and regulations and the listing rules for stock exchanges where the Company's Shares are listed and fulfills relevant procedures, the Company may also send or dispatch the aforesaid notices of general meeting to the holders of H Shares

through the websites of the Company and website specified by the Hong Kong Stock Exchange or by other methods approved by Hong Kong Listing Rules and our Articles to replace the approach of delivery by hand or pre-paid post.

Resolutions of shareholders' meetings shall be divided into ordinary and special resolutions.

An ordinary resolution at a shareholders' meeting shall require the approval of more than half of the voting rights of shareholders (including their proxies) who are present at the meeting in order to be valid.

A special resolution at a shareholders' meeting shall require the approval of a two-third majority of the voting rights of shareholders (including their proxies) who are present at the meeting in order to be valid.

The following matters shall be passed through ordinary resolutions at a shareholders' meeting:

(a) Work reports of the board of directors and the board of supervisors;

(b) Profit distribution plan and loss recovery plan prepared by the board of directors;

(c) Appointment and dismissal of members of the board of directors and the board of supervisors and forms of their remuneration and payment methods;

(d) The company's annual budget and financial accounting reports, balance sheet, profit and loss statements and other financial statements; and

(e) Annual report;

(f) Matters other than those which shall be passed through special resolutions as provided by laws, administrative regulations, the listing rules for stock exchanges where the Company's Shares are listed or the company's Articles of Association.

The following matters shall be passed through special resolutions at a shareholders' meeting:

(a) Company share capital increase and reduction, and the issue of any types of share, share certificate subscription and other similar securities;

(b) The issue of corporate bonds;

(c) Company division, consolidation, dissolution and liquidation;

(d) Amendments to the company's Articles of Association; and

(e) Other matters which are deemed by the shareholders' meeting to have a major impact on the company and where it is passed by ordinary resolution at the shareholders' meeting that the matter be resolved by special resolution.

Special Procedures for Voting by Class Shareholders

Shareholders who hold different classes of Shares shall be class Shareholders.

Class Shareholders shall have rights and obligations in accordance with the laws, administrative regulations and the Articles of Association.

Apart from holders of other classes of Shares, holders of domestic Shares and H Shares are regarded as Shareholders of different classes.

If the Company proposes to change or nullify certain rights of a certain class of Shareholders, this proposal should be passed by a special resolution at the Shareholders' general meeting and passed at the meeting convened according to Article 134 to 138 of the Articles by the related class of Shareholders.

The rights of a certain class of Shareholders shall be deemed to be changed or nullified in the following circumstances:

(a) to increase or reduce in the number of the Shares of such class, or increase or reduce the number of the Shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(b) to convert part or whole of the Shares of such class into other class(es), convert part or whole of the Shares of other class(es) into such class, or grant such conversion rights;

(c) to nullify or reduce the rights of such class of Shares to receive payable dividends or cumulative dividends;

(d) to reduce or nullify the privileged rights of such class of Shares to acquire dividends or obtain distribution of assets during liquidation of the Company;

(e) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of such class of Shares or the rights of such class of Shares to obtain securities issued by the Company;

(f) to nullify or reduce the rights of such class of Shares to receive amounts payable by the Company in a particular currency;

(g) to establish new class(es) of Shares with the same or more voting rights, distribution rights or other privileges as compared with those enjoyed by such class of Shares;

(h) to impose restriction or additional restrictions on the transfer or ownership of such class of Shares;

(i) to grant the share subscription options or share conversion options of such class or another class of Shares;

(j) to increase the rights or privileges of other class(es) of Shares;

(k) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of Shareholders during the restructuring; or

(l) to revise or nullify the provisions under the chapter with title of "Special Procedures for Voting by Class Shareholders" in our Articles.

Where issues specified in (b) to (h), (k) to (l) of the preceding provisions are involved, the affected class Shareholders, whether or not they are entitled to vote at Shareholders' general meetings originally, shall have the right to vote at class general meetings. However, the Shareholders with conflicts of interests shall have no voting rights at the meeting for such class of Shareholders.

A resolution of the meeting for a certain class of Shareholders shall be adopted by above two-thirds of the voting Shares represented by Shareholders of such class present at the meeting.

The special voting procedure at a Shareholders' general meeting for class Shareholders shall not apply for the following cases:

(a) upon the approval by way of a special resolution passed by a Shareholders' general meeting, the Company independently or simultaneously issues domestic Shares and overseas listed foreign Shares every twelve months, provided that the amount of each class of Shares intended to be issued is not more than twenty percent of the issued and outstanding Shares of the respective class;

(b) the Company's plan on issuing domestic Shares and overseas listed foreign Shares at the time of establishment, which is completed within fifteen months from the date of approval from competent securities department under the State Council or within validity period of the approval documents, or

(c) where with the approval by the securities regulatory authorities of the State Council the shareholders who hold the domestic shares of the Company transfer the shares held by them to foreign investors and cause these shares to be listed and traded on an overseas stock exchange.

DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

Appointment, Removal and Retirement

Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. Each term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. The Board of the Company consists of 7 Directors, including 3 independent Directors.

The Board shall have one chairman, which shall be elected or removed from office by more than half of all Directors.

Candidates for Directors, excluding the candidates for independent Directors, shall be nominated by the Board or Shareholders individually or jointly holding above three percent of the Company's total Shares with voting rights and be selected by the Shareholders' general meeting.

A person may not serve as a Director, Supervisor, General manager or other senior management of the Company if such person:

(i) has no civil capacity or has limited civil capacity;

(ii) was sentenced for the offense of corruption, bribery, expropriation, misappropriation of property or for disrupting the social and economic order, and less than five years has

(v) has comparatively large amount of individual debts that have become overdue and have not been settled;

(vi) has been currently under investigation for criminal offense and which investigation is not yet concluded;

(vii) has been prohibited to enter the capital market by competent securities department of the State Council and the period has not expired;

(viii) is prohibited from acting as leader of an enterprise by virtue of any laws and administrative regulations;

(ix) is not a natural person;

(x) has been convicted by relevant competent authorities for violation of securities related laws and regulations, where such violation involved fraudulent or dishonest acts, and less than five years has elapsed since the date of such conviction; or

(xi) other contents stipulated by laws, administrative regulations, regulations of ministries and commissions or listing rules for stock exchanges where the Company's Shares are listed.

Power to Dispose of the Assets of Our Company or Any Subsidiary

For the disposal of fixed assets by the Board, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four months preceding such proposal for disposal exceeds thirty-three percent of the fixed assets value shown in the most recent balance sheet reviewed at a Shareholders' general meeting, the Board shall not dispose of or approve of the disposal of such fixed assets without the approval of the Shareholders' general meeting.

The disposal of fixed assets referred to in this paragraph includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.

A breach of the above paragraph shall not affect the validity of transactions entered into by the Company in disposing of fixed assets.

Borrowing Powers

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors, other than provisions which (a) give the Board the power to formulate proposals for the issuance of corporate bonds by the Company; and (b) require the issuance of corporate bonds to be approved by the Shareholders in general meeting by way of a special resolution.

Disclosure of Interests in Contracts with Our Company

The Directors, Supervisors, General manager and other senior management personnel of the Company having any direct or indirect material conflict of interests in any executed or proposed contracts, transactions or arrangements (except the employment contracts between the Company and its Directors, Supervisors, General manager and other senior management personnel), regardless of

That, subject to such exceptions specified in the Note 1, Appendix 3 of Hong Kong Listing Rules or exceptions otherwise approved by the Hong Kong Stock Exchange, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (the definitions are stipulated in the Hong Kong Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

Unless the Directors, Supervisors, General manager and other senior management personnel of the Company with conflicts of interest have disclosed their interests to the Board in accordance with the requirements of the preceding paragraph, and the Board has approved the matter without counting the interested persons into the quorum and without their participation in the vote, the Company shall have the right to rescind such contracts, transactions or arrangements, except in circumstances where the counterparty is acting in good faith and unaware of that the Directors, Supervisors, General manager and other senior management personnel are in breach of their obligations.

Loans to Directors, Supervisors and Senior Management

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(c) remuneration for those providing other services for managing the Company and its subsidiaries; and

(d) compensation to Directors or Supervisors for loss of office or upon retirement.

Except for the contracts mentioned above, the Directors and Supervisors shall not initiate litigation against the Company and claim benefits due to them for the foregoing matters.

The remuneration contracts between the Company and its Directors or Supervisors shall stipulate that if the Company is to be acquired, the Directors and Supervisors of the Company shall, subject to prior approval from the Shareholders' general meeting, be entitled to compensation or other funds for loss of their positions or upon retirement. The "acquisition of the Company" mentioned in this paragraph refers to one of the following circumstances:

(a) a takeover offer made by any person to all Shareholders; and

(b) a takeover offer made by any person with the intent of becoming a "Controlling Shareholder". See the definition of "Controlling Shareholder" in Article 270 of our Articles.

If Directors and Supervisors do not comply with the preceding provisions, any funds received by them shall go to the persons who have accepted the offer mentioned above and sell their Shares. The Directors and Supervisors shall bear the expenses arising from the proportional distribution of such amounts, and such expenses shall not be deducted from the amounts.

FINANCIAL, PROFIT DISTRIBUTION AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations and the provisions of competent departments.

The Company shall prepare its financial statements in accordance with PRC accounting standards and regulations, as well as in accordance with international accounting standards or the accounting standards of the overseas local tyin which the Company's Shares are listed. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. When distributing the after-tax profits of a given fiscal year, the Company shall take as final the smaller amount of after-tax profits out of the aforesaid two kinds of financial statements.

The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations, as well as the international accounting standards or the accounting standards of the overseas locality where the Company's Shares are listed.

Except as otherwise provided in the Company's Articles, the Company shall send the aforesaid report or report of the Board along with the balance sheet (including all documents attached to the balance sheet required by law and regulations) and income statement or income and expenditure statement or financial report summary to each Shareholder of H Share by hand or pre-paid post or other means approved by Hong Kong Stock Exchange at least twenty-one days prior to the convening of the Shareholders' general meeting. The address of the recipients shall be the address registered in the register of Shareholders.

Profit Distribution

The Company shall withdraw 10% of the annual profits as the statutory reserve fund the Company. Such withdrawal may be stopped when the statutory reserve fund of the Company has accumulated to at least 50% of the registered capital of the Company.

If the statutory reserve fund is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up for the said losses before any statutory reserve fund is withdrawn as per the preceding paragraph.

After statutory reserve fund is withdrawn out of the after-tax profits, discretionary reserve fund may also be withdrawn out of the same as per a resolution made at a general meeting.

The after-tax profits remaining after makeup of losses and withdrawal of capital reserves shall be profits distributable to shareholders, which shall be distributed by the Company to the shareholders in proportion to their shareholding according to the resolution of the general meeting.

If the general meeting, in violation of the provision in the preceding paragraph, distributes profits to shareholders before recovering losses and withdrawing statutory reserve fund, the profits thus distributed shall be returned to the Company.

The capital reserve of the Company shall be used to make up for the losses, enhance the operating scale or increase the capital of the Company. However, the capital reserve shall not be used to recover the losses of the Company.

The capital reserve shall include:

(a) Premium arising from issue above the par value of the stock; and

(b) Other revenue required by the financial authority under the State Council to be stated as capital reserve.

When statutory reserve fund is converted into capital, the amount of the said fund left shall not be less than 25% of the registered capital of the Company before such conversion.

Accounting Firm

The company shall appoint an accounting firm qualified to engage in securities-related business to undertake matters including audits of accounting statements, the verification of net assets and other relevant consultancy services. The term of appointment shall be one year which commence on the date of conclusion of the current shareholders' meeting and end on the date of conclusion of the subsequent shareholders' meeting, and may be renewed.

The company's appointment of an accounting firm shall be decided by the general meeting. The board of directors shall not appoint any accounting firm prior to a decision being made by the general meeting, unless it is otherwise provided in our articles of association.

An accounting firm appointed by the company shall have the following rights:

(a) To inspect, at any time, the company's account books, records or vouchers, and shall have the right to require the directors, managers or other senior officers to provide relevant data and explanations;

(b) To require the company to adopt all reasonable measures to obtain from its subsidiaries data and explanations which the accounting firm requires for the performance of its duties; and

(c) To attend shareholders' meetings and to obtain information which is available to any shareholder who has the right to receive notice of a meeting or on other matters related to the meeting, and to speak at any shareholders' meeting about matters related to its functions as accounting firm to the company.

The remuneration of an accounting firm or methods for determining remuneration shall be decided at a shareholders' meeting. The remuneration of an accounting firm appointed by the board of directors shall be determined by the board of directors.

MERGER, DIVISION, DISSOLUTION AND LIQUIDATION OF THE COMPANY

In the case of the consolidation or division of the company, a consolidation or division plan shall be drafted by the board of directors and after the plan is adopted according to the procedures stipulated in the company's Articles of Association, the relevant procedures for examination and approval shall then be carried out in accordance with the law. If a shareholder objects to the consolidation or division plan, that shareholder shall have the right to require the company or those shareholders who approve the consolidation or division plan to purchase his/her shares at a fair price. The content of a resolution on the consolidation or division of the company shall be made into a special document to be available for inspection by shareholders.

For holders of foreign shares of the company listed in Hong Kong the aforesaid document shall be delivered by mail.

In a merger of companies, the companies shall execute a merger agreement and prepare their respective balance sheets and schedules of assets. The companies shall notify their creditors within ten days of adopting merger resolutions, and shall publish notices more than three times in information disclosure press within 30 days. Creditors shall be entitled to claim full repayment of all debts owed by the companies or require that appropriate assurances are provided within 30 days of receiving the notice, or within 45 days of publication of the first notice if any such creditor doe.3(or)-386.1(1(belc405-E6.1(2)-4

(e) if the business license of the Company is revoked or it is ordered to close down its business; or

(f) where the operation and management of the Company falls into serious difficulties and its continued existence would cause material losses to Shareholders, the Shareholding above ten percent of the total voting rights of the Company may apply to the people's court to dissolve the Company if there are no other solutions.

If the Board decides that the Company shall be liquidated (except for liquidation resulting from the Company's declaration of bankruptcy), it shall state in the notice of Shareholders' general meeting convened for such purpose that the Board have conducted a comprehensive investigation into the situation of the Company and believes that the Company is able to pay off all its debts within twelve months following the commencement of the liquidation.

After the Shareholders' general meeting adopts a resolution in favour of the liquidation, the functions and powers of the Board of the Company shall be terminated immediately.

The liquidation committee shall follow the instructions of the Shareholders' general meetings and shall report to the Shareholders' general meeting at least once a year on the income and expenditure of the liquidation committee, the business of the Company and the progress of the liquidation, and shall make a final report to the Shareholders' general meeting at the end of the liquidation.

AMENDMENTS TO THE ARTICLES

In any of the following circumstances, the Company shall amend the Articles:

(a) if upon amendments to the PRC Company Law or relevant laws and administrative regulations, any terms contained in the Articles become inconsistent with the provisions of the amended laws and administrative regulations;

(b) a change in the Company causes inconsistence with those contained in the Articles; or

(c) a resolution being passed by the Shareholders' general meeting to amend our Articles.

If the amendments to our Articles are subject to approval by relevant competent authorities, the amendments to our Articles adopted at the Shareholders' general meeting shall be reported to the competent authority for approval; if registration matters are involved, the Company shall apply for registration of the changes in accordance with the law.

OTHER PROVISIONS MATERIAL TO OUR COMPANY AND OUR SHAREHOLDERS

General Provisions

The Company is a joint stock company with limited liability and permanently surviving.

From the date on which the Articles come into effect, the Articles shall constitute a legally binding document to the Company, Shareholders, Directors, Supervisors and senior management personnel, regulating the Company's organization and activities, and the rights and obligations between the Company and each Shareholder and among the Shareholders inter se.

The Company may, based on its operating and development needs, increase its share capital pursuant to laws, subject to the resolution on general meeting. The Company may increase its capital by the following ways:

(a) public offering of Shares;

(b) non-public offering of Shares;

(c) placing Shares to existing Shareholders;

(d) distributing bonus Shares to existing Shareholders;

(e) transferring reserve funds to increase share capital; or

(f) other methods permitted by laws, administrative regulations, competent securities department and other relevant competent authorities of the State Council.

Board of Directors

The Board of Directors shall exercise the following functions and powers:

(a) convening Shareholders' general meetings and reporting its performance at the Shareholders' general meetings;

(b) implementing resolutions of the Shareholders' general meetings;

(c) determining or making significant amendment to the Company's business plans and investment plans;

(d) formulating annual financial budget plans and final account plans;

(e) formulating profit distribution plans and plans for recovery of losses of the Company;

(f) formulating proposals for the increase or reduction of the Company's registered capital, and for the issuance of the Company's debentures or other securities and the listing;

(g) drafting proposals for the Company's major acquisition, purchase of the Company's Shares or merger, division, dissolving and change in corporate form of the Company;

general meetings;

(o) reviewing work reports of the General manager of the Company and examine his or her work;

(p) other duties and powers stipulated by laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Company's Articles.

The Board of Directors shall hold a regular meeting at least four times a year, and the Board meeting shall be convened by the chairman of the Board. Notices of the regular Board meeting shall be sent to all Directors and Supervisors at least fourteen days prior to the date of the meeting.

A meeting of the Board of Directors shall only be heldif it has a quorum of more than one half of the directors unless otherwise requiredin the Articles of the Company.

Resolutions adopted at the Board meeting must be approved by more than one half of all members of the Directors unless otherwise requiredin the Articles of the Company.

Resolutions of the Board shall be passed on a "one person one vote" basis.

General manager

The Company shall have one General manager, who shall be accountable to the Board and shall exercise the following powers:

(i) to be in charge of the Company's operation and management and to implement there solutions of the Board, and report work to the Board;

(ii) to formulate andimplement the Company's annual business plan andinvestment plan;

(iii) to formulate the Company'sinternal management structure;

(iv) to draft the basic management scheme of the Company;

(v) to formulate the Company's concrete bylaws;

(vi) to propose the appointment or dismissal of the Company's vice general manager(s) and the chief financial officer;

(vii) to determine the appointment or dismissal of responsible management personnel except for whom should be appointed or dismissed by the Board of Directors;

(viii) to formulate the plans for the salary, benefits, rewards and punishments of the Company's employees, and to determine the employment and dismissal of the Company's employees; and

(ix) to exercise other powers conferred by the Articles of Association and the Board.

The general manager may be present at a meeting of the Board. The general manager has no voting rights at the Board meetings unless heis also a director.

Secretary of the Board

There shall be a secretary of the Board. The secretary to the Board shall have necessary professional knowledge and experience. The secretary to the Board shall be responsible for the

preparations for general meetings and Board meetings, keeping of documentation and shareholders' data, matters relating to information disclosure of the Company, etc., to ensure:

(a) complete organizational documents and records are available for the Company;

(b) the Company prepares and submits documents and reports required by relevant authorities pursuant to the law; and

(c) the register of Shareholders of the Company is properly established, and that persons entitled to receive relevant records and documents of the Company are given timely access to such records and documents.

Supervisory Committee

The Directors, General manager and other senior managements shall not act concurrently as Supervisors.

Each Supervisor shall serve for a term of three years, which may be re-elected upon the expiration of his/her term.

The Company shall have a Supervisory Committee. The Board of Supervisors shall consist of three supervisors, including two shareholders representative supervisors and one employee representative supervisor. The shareholders representative supervisors shall be elected by Shareholder's general meeting.

The Supervisory Committee shall have one chairman. The appointment and removal of the chairman shall be made with a resolution passed by over two-thirds of all members of the Supervisory Committee.

The Supervisory Committee shall exercise the following powers:

(a) to review and give written comments to regular reports of the Company formulated by the Board;

(b) to monitor financial situations of the Company;

(c) to supervise the related acts of any of the Directors and senior management personnel and propose the removal of who violates any laws, administrative regulations, the Articles of Association or resolutions passed by the Shareholders' meeting;

(d) to demand any Director or senior management personnel who acts in a manner which is detrimental to the Company's interest to rectify such behaviors;

(e) to propose the convening of extraordinary general meeting and to convene and preside over extraordinary general meeting when the Board fails to perform the duty of convening and presiding Shareholders' general meetings;

(f) to verify the financial information such as financial reports, business reports and profit distribution plans to be submitted by the Board at the general meetings and, should any queries arise, to engage, in the name of the Company, certified public accountants and practicing auditors for a re-examination of the aforesaid information;

(g) to make proposal to the Shareholders' general meeting;

(h) to represent the Company to negotiate with the Directors and senior management members or bringing actions against Directors and senior management members according to Article 152 of the Company Law;

(i) to investigate the Company should any abnormal operation situation arise; to authorize accounting firms, law firms and other professional institutions to assist the investigation and the fees shall be borne by the Company; and

(j) other powers stipulated by our Articles.

Meetings of the Supervisory Committee shall be convened at least once each six months and be convened and presided by its chairman.

A Supervisor shall be elected by more than half of all Supervisors to convene and host the meetings of Supervisory Committee when the chairman fails or refuses to perform the duty.

Resolution of Disputes

The Company shall abide by the following rules for dispute resolution:

(a) If any disputes or claims in relation to the Company's business, with respect to any rights or obligations under our Articles, the PRC Company Law or any other relevant laws and administrative regulations, arise between Shareholders of overseas listed foreign Shares and the Company, between Shareholders of overseas listed foreign Shares and the Company's Directors, Supervisors, President (Chief Executive Officer) or other senior management personnel of the Company, or between Shareholders of overseas listed foreign Shares and Shareholders of domestic Shares, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the Company, the Company's Shareholders, Directors, Supervisors, President (Chief Executive Officer) or other senior management personnel of the Company) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

(b) An applicant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If an applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(c) Unless otherwise provided by laws and administrative regulations, the laws of the PRC shall apply to the settlement of any disputes or claims that are resolved by arbitration described in item (a) above.

(d) The award of the arbitration institution shall be final and binding upon all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The predecessor of our Company, Shenzhen Hepalink Industrial Development Company Limited (-9 w•¼8ï•Þ"®!) was incorporated in China on April 21, 1998. On January 19, 2001, Shenzhen Hepalink Industrial Development Company Limited was renamed as Shenzhen Hepalink Biotechnology Company Limited (-9 w•[J¦"Þ"®!) and it was further renamed as Shenzhen Hepalink Pharmaceutical Company Limited (-9 w•¹8Þ"®!) on September 28, 2002. On December 27, 2007, upon approval by the Ministry of Commerce, it was restructured into a foreign invested joint-stock company and was renamed as Shenzhen Hepalink Pharmaceutical Group Co., Ltd (-9 w•¹8p…Þ"®!). Since May 6, 2010, our A Shares have been listed on the Shenzhen Stock Exchange with the stock code of 002399. The Company was further renamed as Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (-9 w•¹8«p…Þ "®!) on February 20, 2017. Our registered office is located at No.21, Langshan Road, Nanshan District, Shenzhen, People's Republic of China.

We have established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and were registered with the Registrar of Companies in Hong Kong as a non- Hong Kong company under Part 16 of the Companies Ordinance on December 30, 2019. Ms. Ella Wong Wai Yee and Ms. Chan Sze Ting have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this document respectively.

B. Changes in the Share Capital of Our Company

There has been no alteration in our share capital within two year immediately preceding the date of this document.

Upon completion of the **[REDACTED]**, but without taking into account any exercise of the **[REDACTED]**, our registered capital will increase to RMB**[REDACTED]**, comprising 1,247,201,704 A Shares and **[REDACTED]** H Shares fully paid up, representing approximately **[REDACTED]**% and **[REDACTED]**% of our registered capital, respectively.

C. Shareholders' Resolutions

Pursuant to the Shareholders' meeting held on December 18, 2019, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be **[REDACTED]** on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the **[REDACTED]** shall not exceed **[REDACTED]**% of the enlarged share capital of the Company upon completion of the **[REDACTED]** and granting the **[REDACTED]** the **[REDACTED]** of no more than **[REDACTED]**% of the above number of H Shares to be **[REDACTED]**;

(c) subject to the completion of the **[REDACTED]**, the conditional adoption of the Articles of Association, which shall become effective on **[REDACTED]**; and

(d) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the **[REDACTED]**, the issue and **[REDACTED]** of the H Shares.

D. Further Information about Our Subsidiaries

The list of our subsidiaries as of September 30, 2019 is set out in the Accountants' Report, the text of which is set out in Appendix I to this document. Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

Shenzhen Ruidi Biomedical Co., Ltd.

On January 3, 2019, the registered capital of Shenzhen Ruidi Biomedical Co., Ltd. was increased from US$11,760,000 to US$14,117,647.

Techdow (Hong Kong)

On July 18, 2019, the registered capital of Techdow (Hong Kong) was increased from HK$162,278,000 to HK$233,960,000.

Hepalink (Hong Kong)

On August 20, 2019, the registered capital of Hepalink (Hong Kong) was increased from HK$225,311,678 to HK$330,221,445.

Histar (Shanghai) Co., Ltd.

On December 23, 2019, the registered capital of Histar (Shanghai) Co., Ltd. was increased from RMB1,000,000 to RMB19,960,000.

E. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to "Appendix V—Summary of Articles of Association" to this document.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this document, which are or may be material and a copy of each has been delivered to the Registrar for registration:

(a) the equity transfer agreement dated June 6, 2018 between our Company, Hepatunn and Pangu Chenchen (Shanghai) Enterprise Management Center (Limited Partnership) (µ Å Ë š € j • † 8 M # • Ð € Þ " ¥ « •) ("**Pangu Chenchen**") to transfer our Company's 85% equity interest in Hepatunn to Pangu Chenchen for a consideration of RMB 34 million;

(b) the subscription agreement dated January 31, 2019 between our Company and Resverlogix to subscribe for 2,213,398 shares in Resverlogix for an aggregate subscription price of US$5,000,000;

(c) the subscription agreement dated March 27, 2019 between Hepalink (Hong Kong), amongst other investors, and Kymab Group Limited ("Kymab") to subscribe for 3,500,000 convertible preferred shares in Kymab for an aggregate subscription price of US$3,500,000;

(d) the subscription agreement dated March 29, 2019 between our Company and Resverlogix to subscribe for 4,479,793 shares in Resverlogix for an aggregate subscription price of US$10,000,000; and

(e) the **[REDACTED]**.

B. Intellectual Property Rights

As of the Latest Practicable Date, our Company has registered or applied for the following intellectual property rights, which are or may be material in relation to our Company's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks, which we consider to be or may be material in relation to our business:

Trademark Registered	Place of Registration	Registration No.	Class	Expiration Date
å	China	9822622	5	January 6, 2023
w ~ Ž	China	9822643	5	October 13, 2022
Meclean	China	9822674	5	January 20, 2023
Proxin	China	9822699	5	October 6, 2022
Hepalink	China	3681896	5	February 13, 2026
海普瑞	China	3681888	5	January 27, 2026

Trademark Registered	Place of Registration	Registration No.	Class	Expiration Date
	China	12034965	13	June 27, 2024
	China	12034996	30	June 27, 2024
	China	12035015	31	June 27, 2024
	China	12035028	5	June 27, 2024
	China	12038331	35	July 20, 2024
w •	China	14007675	2	March 13, 2025
w •	China	14007691	3	March 13, 2025
w •	China	14007712	4	April 20, 2025
w •	China	14007746	6	May 6, 2025
w •	China	14007765	7	September 6, 2025
w •	China	14007780	15	April 20, 2025
w •	China	14007794	18	April 20, 2025
w •	China	14007815	22	April 20, 2025
w •	China	14007825	24	April 20, 2025
w •	China	14007836	43	April 20, 2025
w •	China	14007848	44	April 20, 2025
w •	China	14007868	45	April 20, 2025
w •	China	14007879	42	April 20, 2025
w •	China	14172796	35	April 20, 2025
w •	China	14172797	33	April 20, 2025
w •	China	14172798	28	April 20, 2025
w •	China	14172799	27	April 20, 2025
w •	China	14172800	26	April 20, 2025

Trademark Registered	Place of Registration	Registration No.	Class	Expiration Date
w •	Chi na	14172801	25	Apri l 20, 2025
w •	Chi na	14172802	23	Apri l 20, 2025
w •	Chi na	14172803	21	Apri l 20, 2025
w •	Chi na	14172804	20	Apri l 20, 2025
w •	Chi na	14172805	19	Apri l 20, 2025
w •	Chi na	14172806	17	Apri l 27, 2025
w •	Chi na	14172807	16	Apri l 27, 2025
w •	Chi na	14172808	14	Apri l 27, 2025
w •	Chi na	14172809	12	Apri l 27, 2025
w •	Chi na	14172810	11	July 6, 2025
w •	Chi na	14172811	10	Apri l 27, 2025
w •	Chi na	14172812	9	July 13, 2025
w •	Chi na	14172813	8	Apri l 27, 2025
w •	Chi na	14172814	1	Apri l 27, 2025
w •	Chi na	14607358	40	July 20, 2025
w •	Chi na	14607359	38	July 20, 2025
w •	Chi na	14607360	37	July 20, 2025
w •	Chi na	14607361	34	July 20, 2025
w •	Chi na	14607362	29	July 20, 2025
w •	Chi na	14607363	32	July 20, 2025
w •	Chi na	14607364	39	July 20, 2025
w •	Chi na	14607365	41	July 20, 2025
	Hong Kong	301949400	5, 10, 30	February 14, 2022
	Hong Kong	301949419AA	5,	May 27, 2022
	Hong Kong	301949419AB	10, 30	May 27, 2022
	Canada	TMA830051	1, 5	August 17, 2027

Trademark Registered	Place of Registration	Registration No.	Class	Expiration Date
Neopain	Poland	R.281679	5	March 9, 2025
Neopain	European Union	EUTM 015162753	5, 35, 42	March 1, 2026
INHIXA	China	21947175	5	January 6, 2028
Techdow	China	10585526	5	April 6, 2024
Techdow	China	10585525	10	May 6, 2023
Techdow 天道	China	10585524	5	June 13, 2024
PROLOSU	China	9868256	5	October 20, 2022
PRONIE	China	9868046	5	October 20, 2022
PROLOTON	China	9868035	5	October 20, 2022
ROSMIN	China	9868021	5	October 20, 2022
ROSGIN	China	9868009	5	October 20, 2022
ROSUTON	China	9863263	5	October 20, 2022
PROWIKUN	China	9863247	5	October 20, 2022
PROTMING	China	9863233	5	October 20, 2022
PROCHINN	China	9863225	5	October 20, 2022
PROTWIN	China	9863204	5	October 20, 2022
PROGINN	China	9863194	5	October 20, 2022
ROSUQING	China	9863175	5	October 20, 2022
ROSUKUN	China	9863157	5	October 20, 2022
REKEPIN	China	9855728	5	October 20, 2022
ROSULEO	China	9855723	5	October 20, 2022
~ , ‘	China	9855719	5	October 20, 2022
w ~ =	China	9855716	5	October 20, 2022
w ~	China	9855713	5	January 20, 2023
w ~ ·	China	9855707	5	January 20, 2023
~ , ü	China	9855704	5	October 20, 2022
~ , ´	China	9855702	5	October 20, 2022
~ , ·	China	9855698	5	November 27, 2022
w ~ ü	China	9853209	5	October 13, 2022
w ~ ö	China	9853194	5	October 20, 2022
w ~ j ¹	China	9853183	5	May 20, 2024
w ~ ‘	China	9853167	5	October 20, 2022

Trademark Registered	Place of Registration	Registration No.	Class	Expiration Date
~ , ö	Chi na	9853154	5	October 13, 2022
~ , p	Chi na	9853143	5	January 6, 2023
TECHDOW	Chi na	7531868	10	October 27, 2020
PROLONGIN	Chi na	4901083	5	March 13, 2029
PROLONGIN	Chi na	4901082	1	January 20, 2029
PROLONGIN	Chi na	4901056	10	September 6, 2028
w ~ ¹	Chi na	4802359	1	February 13, 2029
w ~ ¹	Chi na	4802357	10	June 6, 2028
~ , ;	Chi na	4802356	1	February 13, 2029
~ , ;	Chi na	4802354	10	June 6, 2028
TECHDOW	Chi na	4782170	5	February 13, 2029
Â 8 ;TECHDOW	Chi na	4782169	5	May 20, 2029
Â 8	Chi na	4782168	5	May 20, 2029
• š ;	Chi na	4619247	5	September 20, 2028

Patents

For materi al patents, patent appl cat ons we owned or l censed from other ent t es as of the Latest Pract cable Date, see "Busi ness—Intellectual Property" sect on of the document.

Domain Names

As of the Latest Pract cable Date, we have reg stered the follow ng doma n names wh ch we cons der to be or may be mater al n relat on to our busi ness:

Domain name	Name of Registered Proprietor	Expiry Date
hepal nk.net	Hepal nk	June 23, 2020
hepal nk.com	Hepal nk	December 22, 2022
hepal nk.hk	Hepal nk	Apr l 15, 2020
techdow.com	Shenzhen Techdow	June 15, 2022
techdow.net	Shenzhen Techdow	June 23, 2022
techdow.com.cn	Shenzhen Techdow	June 23, 2022
techdow.uk	Techdow Europe AB	July 18, 2020
techdow.es	Techdow Europe AB	July 18, 2020
techdowi t	Techdow Europe AB	July 19, 2020
techdow.fr	Techdow Europe AB	July 21, 2020
techdow.be	Techdow Europe AB	July 21, 2020

upon whose judgment, interest and special effort the successful conduct of the Company's operation is largely dependent.

(b) Scope of Participants

The participants of Scheme II are our Directors (excluding our independent Directors and external Directors), Supervisors (excluding our external supervisors), senior management and core staff members of the Company and the subsidiaries.

The participants of Scheme III are employees of our Company and our subsidiaries (excluding our Directors, Supervisors and senior management).

(c) Term of the Schemes

Scheme II was effective for an initial period of 36 months from December 12, 2016 to December 11, 2019. Scheme III is effective for a period of 24 months from December 28, 2018 to December 27, 2020. Within two months prior to the expiration of the respective term of each Scheme, with the approval of more than two-thirds of the votes of holders of the interests under relevant Scheme (the "**Holders**"), who attend the Holders' meeting, and subject to the approval of the Board of Directors of our Company, the term of the relevant Scheme may be extended, provided that each extension shall not exceed 12 months. Each Scheme may be terminated upon expiry of the respective lock up period as detailed below when all the assets underlying such Scheme become monetary assets.

On December 6, 2019, the Company, with the Board's approval, extended the term of Scheme II for 12 months, up to December 11, 2020.

(d) Source of Shares under the Schemes

The Shares underlying the Schemes shall be A Shares purchased from the secondary market through bidding, block trade, share transfer or other methods in compliance with the applicable laws and regulations.

(e) Maximum Number of Shares

All the Shares underlying Scheme II have been purchased as of March 9, 2017. As of the Latest Practicable Date, the total number of Shares underlying Scheme II is 15,118,035 A Shares, accounting for approximately 1.21% of the total outstanding share capital of our Company.

All the Shares underlying Scheme III have been purchased as of February 1, 2019. The total number of Shares underlying Scheme III is 3,886,264 A Shares, accounting for approximately 0.31% of the total outstanding share capital of our Company as of the Latest Practicable Date.

The maximum number of shares to be granted to an employee under each Scheme shall not exceed 1% of the total outstanding share capital of our Company.

(f) Administration of the Schemes

The Holders' meeting is the highest management authority of the Schemes. A management committee has been set up to oversee the daily management of respective Scheme.

For Scheme II, the management committee has appointed Guolian Securities Co., Ltd to establish a single customer assets management plan. Guolian Securities Co., Ltd is responsible for the management of the assets underlying Scheme II, including purchasing and holding the Shares and cash under Scheme II.

For Scheme III, the management committee has appointed CMS Asset Management Co., Ltd to establish a single customer assets management plan. CMS Asset Management Co., Ltd is responsible for the management of the assets underlying Scheme III, including purchasing and holding the Shares and cash under Scheme III.

(g) Source of Funds to be Used to Purchase the Shares under the Schemes

The source of funds for the Schemes consists of (i) the funds raised by the participants and (ii) loans provided by the Controlling Shareholders of our Company.

The maximum amount of the funds to be raised for Scheme II and Scheme III shall not exceed RMB400 million and RMB87 million, respectively. The Holders shall pay the subscription amount before the establishment of the relevant single customer asset management plan.

(h) Lock-up Period

The Shares underlying Scheme II are not subject to lock-up as of the Latest Practicable Date.

The lock-up period for the Shares underlying Scheme III is from February 2, 2019 to February 1, 2020, being a period of 12 months commencing from the date of publication of the announcement in respect of the transfer of the last batch of Shares to the relevant single customer asset management plan.

(i) Rights of the Holders

The Holders of each Scheme are entitled to the following rights:

1) to share the interests of the assets underlying the Scheme in proportion to his holding in the Scheme;

2) to attend the general meeting of Holders in person or by proxy, and to exercise the corresponding voting rights;

3) to supervise the administration of the Scheme, and to make suggestions or inquiries as applicable;

4) to waive the voting rights attached to the underlying Shares of the Company he holds indirectly through the Scheme; and

5) to exercise other rights stipulated by laws, administrative regulations, or the terms of the Scheme.

(j) Obligations of the Holders

The Holders of each Scheme have the following obligations:

1) to assume the risks associated with Scheme in proportion to his holding in the Scheme;

2) to comply with the provisions of the Rules Governing Employee Share Scheme;

3) not to request the Company to distribute the assets underlying the Scheme during the term of the Scheme; and

4) to assume the obligations provided by applicable laws, administrative regulations and other obligations stipulated under the terms of the Scheme.

(k) Transfer of Holders Interests

During the term of the respective Scheme, no Holder shall in any way transfer, withdraw, charge or mortgage his holding interests in the Scheme or use such interests to guarantee or repay debts except for unusual circumstances as provided under the terms of the relevant Scheme.

(l) Distribution of interests under the Schemes

Upon the expiry of the respective lock up period of each Scheme, the liquidation of the Scheme shall be completed within fifteen business days upon the sale of all the Shares underlying the Scheme. The proceeds from the sale of all the Shares underlying the Scheme shall be distributed in the following order:

1) to repay the loans provided by the Shareholders for the Scheme and the associated interests;

2) to repay the funds contributed by the employee and the associated return based on the performance of the employee in accordance with the terms of the Scheme; and

3) the remaining proceeds (if any) shall be distributed among the Holders in proportion to their interest in the Scheme.

D. OncoVent Share Option Scheme

The following is a summary of the principal terms of the OncoVent Share Option Scheme, the share option scheme adopted by our subsidiary, OncoVent, in June 2018. The Onvocent Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Onvocent Share Option Scheme is to promote the long-term success of OncoVent and the interests of its shareholders and employees by providing a means through which OncoVent may grant equity-based incentives to motivate, attract and retain the services of its employees upon whose judgment, interest and special effort the successful conduct of OncoVent's operation is largely dependent.

(b) Scope of Participants

Those eligible to participate in the OncoVent Share Option Scheme include the employees of OncoVent who meet the performance targets.

(c) Administration of the Schemes

The OncoVent Share Option Scheme is administered by the board of directors of OncoVent (the "**Administrator**"). Pursuant to the OncoVent Share Option Scheme, the Administrator may, from time to time, select from eligible persons to whom awards in the form of options in OncoVent shares ("**OncoVent Options**") will be granted.

(d) Maximum number of shares

The maximum number of shares which may be granted under the OncoVent Share Option Scheme shall not exceed 10% of the total enlarged share capital of OncoVent taking into account the shares to be issued upon the exercise of the options.

(f) Term of OncoVent Share Option Scheme

OncoVent Options granted at each stage is valid for a period of four years. Grantees are subject to a lock-up period of one year commencing from the grant date.

(g) Exercise of OncoVent Options

The grantees may exercise the OncoVent Options within ten business days upon expiry of the lock up period in accordance with the terms of grant letter. When OncoVent is listed or sold, the participants may realise the benefit of share options based on the stock circulation rules at the listing place or the value of OncoVent at the time of sale. The participant may choose to convert the option into actual investment to OncoVent.

The exercise price per OncoVent Share underlying the OncoVent Options shall be determined by the Administrator with reference to the fair value of OncoVent. If OncoVent carries out financing transactions within the preceding twelve months, the fair value shall be determined with reference to the valuation of OncoVent for the purpose of such financing transactions. If no financing transaction is carried out during such twelve months period, the fair value shall be determined by the Administrator.

Outstanding OncoVent Options granted

The proposal to grant the OncoVent Options under the OncoVent Share Option Scheme as set out above has been approved by the boards of OncoVent and our Company.

As at the Latest Practicable Date, we proposed to grant OncoVent Options representing 4% of the enlarged share capital of OncoVent to one participant, namely Mr. Shi Yuerian ("**Mr. Shi**") of 18 Yale Street, Roslyn Heights, New York, the United States, who acts as the CEO of OncoVent, provided that the participant reaches the agreed milestones. Mr. Shi will be granted OncoVent Options representing 2%, 1% and 1% of the enlarged share capital of OncoVent when the first, second and third milestone is reached, respectively.

Milestones	Conditions
The first milestone	The participant signs employment contract with OncoVent
The second milestone	OncoVent new pharmaceutical varieties obtains permission to carry out
	Phase III clinical trials from Chinese pharmaceutical regulatory authorities
The third milestone	New pharmaceutical varieties obtain permission to sell in the market from Chinese pharmaceutical regulatory authorities

The grant date is within one month when each milestone is reached. 40%, 30% and 30% of the OncoVent Options granted will vest in each of the three years following the expiry of the one-year lock up period. When and only when OncoVent is listed or sold, the grantee can choose to exercise OncoVent Options. As of the Latest Practicable Date, the conditions for the first milestone has been met and the conditions for the remaining milestones have yet to be met. The exercise price, corresponding to the fair value of the OncoVent Options granted to Mr. Shi upon the fulfillment of the first milestone, was approximately RMB1,271,000.

OncoVent does not intend to make any further grants of the OncoVent Options under the OncoVent Share Option Scheme after the **[REDACTED]**.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws of regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

B. Remuneration of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Senior Management" and under "Appendix I—Accountant's Report—Notes to the Financial Information—9. Directors' and Supervisors' Remuneration", no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of each of the two financial years ended December 31, 2018 and the nine months ended September 30, 2019.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Save as disclosed below, immediately following the completion of the **[REDACTED]** assuming that the **[REDACTED]** is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are **[REDACTED]** on the Hong Kong Stock Exchange.

Name	Title	Nature of Interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class	Approximate percentage of shareholding in the total share capital immediately after the [REDACTED] (assuming that the [REDACTED] is not exercised)
Mr. Li (½^)[1,3]	Chairman of the Board and Executive Director	Interest in a controlled corporation	A Shares	514,349,899	41.24%	**[REDACTED]**%
Ms. Li Tan (½~)[2,3]	Executive Director	Interest in a controlled corporation	A Shares	408,041,280	32.72%	**[REDACTED]**%
Mr. Shan Yu (Á)[4]	Executive Director	Interest in a controlled corporation; beneficial owner	A Shares	52,302,892	4.19%	**[REDACTED]**%
Mr. Haihua Bu (É6)[5] ..	Executive Director, secretary to the Board and deputy general manager	Beneficial owner	A Shares	585,068	0.05%	**[REDACTED]**%

Notes:

(1) Mr. Li holds 99% of the equity interests of Leren Technology and 100% of the equity interests of Feilaishi. Thus, he is deemed to be interested in 474,029,899 A Shares held by Leren Technology and 40,320,000 A Shares held by Feilaishi. Pursuant to a stock pledge repurchase agreement, Leren Technology has pledged 43,600,000 A Shares held in our Company to Guotai Junan Securities Co. Ltd. on December 19, 2019.

(2) Ms. Li holds 99% of the equity interests of Jinantu as a general partner. Thus, she is deemed to be interested in 408,041,280 A Shares held by Jinantu.

(3) Mr. Li and Ms. Li are the spouse of each other and are both Directors of the Company. Therefore, they are not required to aggregate their interest in the Company under the SFO.

(4) Mr. Shan holds 99% of the equity interests of Shuidi Shichuan. Thus, he is deemed to be interested in 46,425,600 A Shares held by Shuidi Shichuan. In addition, Mr. Shan has also participated in the Share Incentive Scheme II and has a 38.88% interest in 15,118,035 A Shares held by the asset manager for the benefit of the participants of the scheme.

(5) Mr. Bu participated in Share Incentive Scheme II and has a 3.87% interest in 15,118,035 A Shares held by the asset manager for the benefit of the participants of the scheme, respectively.

Save as disclosed in this document, as of the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the **[REDACTED]**, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders."

Interests of substantial shareholders in members of our Group (excluding our Company)

Our subsidiaries	Registered/Issued share capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Shenzhen Airmab Biomedical Co., Ltd. (- 9 • [J < ¹ Þ " ® !)	US$14,117,647	Aird s Pharmaceuticals, Inc.	49.00%
OncoVent	US$9,259,259	OncoQuest Inc.	29.00%
		Quest PharmaTech Inc.	11.00%
Shenzhen Fanpu Biotechnology Co., Ltd. (- 9 • þ [J ¦ " Þ " ® !)	RMB1,000,000	Mr. Zhou Hongwei	30.30%
Shenzhen Penghe Property Management Co., Ltd. (- q J 8 M # Þ " ® !)	RMB132,000,000	Yulong Computer Communication Technology (Shenzhen) Co., Ltd.	35.00%
		Shenzhen Xizhilang Food R&D Center Co., Ltd.	10.00%

C. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole; and

(c) without taking into account any Shares which may be taken up under the **[REDACTED]**, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the **[REDACTED]**, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or any of our subsidiaries.

B. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

Both of the Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an **[REDACTED]** on our behalf to the Listing Committee of the Stock Exchange for a **[REDACTED]** of, and permission to deal in, all the H Shares to be issued as mentioned in this document.

Pursuant to the engagement letter entered into between our Company and each of the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$1,000,000 to act as the sponsors of our Company in connection with the proposed **[REDACTED]** on the Stock Exchange.

D. Compliance Advisor

Our Company has appointed Somerley Capital Limited as the compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

We have not incurred any material preliminary expense.

F. Promoters

Information of our promoters as of the time of our Company's conversion is as follows:

No.	Name
1.	Leren Technology
2.	Jintantu
3.	GSK Pharma
4.	Shuid Shichuan
5.	Feilaishi
6.	Yingshi Information

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

M. No Material Adverse Change

Except as disclosed in "Summary—Recent Developments," our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this document, there has been no other material adverse change in our financial position or prospects since September 30, 2019 and there has been no other event since September 30, 2019 which would have material adverse effect on the information presented in the Accountants' Report in Appendix I to this document.

N. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **[REDACTED], [REDACTED]** and **[REDACTED]**;

(b) a copy of each of the material contracts referred to in the section headed "2. Further Information About Our Business—A. Summary of Our Material Contracts" in Appendix VI to this document; and

(c) the written consents referred to in the section headed "5. Other information—H. Consents of Experts" in Appendix VI to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Davis Polk & Wardwell at 18/F, The Hong Kong Club Building, 3A Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the consolidated audited financial statements of our Group for the three years ended December 31, 2017, 2018 and 2019;

(d) the report from Ernst & Young relating to the unaudited **[REDACTED]**, the text of which is set out in Appendix II to this document;

(e) the material contracts referred to in the section headed "2. Further Information About Our Business—A. Summary of Our Material Contracts'' in Appendix VI to this document;

(f) the written consents referred to in the section headed "5. Other Information—H. Consents of Experts" in Appendix VI to this document;

(g) the service contracts referred to in the section headed "3. Further Information About Our Directors and Supervisors—A. Particulars of Directors' and Supervisors' Contracts" in Appendix VI to this document;

(h) the legal opinions issued by Tian Yuan Law Firm, our legal advisor as to PRC law in respect of our general matters and property interests of the Group;

(i) the legal memorandum issued by Hogan Lovells, our International Sanctions legal advisor;

(j) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview";

(k) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations; and

(l) the Shenzhen Stock Exchange Listing Rules, together with an unofficial English translation.