THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in PW Medtech Group Limited (普华和顺集团公司), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

PW MEDTECH GROUP LIMITED
普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

(1) VERY SUBSTANTIAL DISPOSAL DISPOSAL OF CBPO SHARES AND PROPOSED PRIVATIZATION OF CBPO; (2) PROPOSED SPECIAL DIVIDEND; AND (3) NOTICE OF THE EGM

Capitalized terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 25 of this circular.

A notice convening the EGM to be held at Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, the PRC on Friday, December 4, 2020 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.pwmedtech.com).

In order to safeguard the health and safety of all Shareholders, as well as to prevent and control the spread of COVID-19, should Shareholders choose to attend the EGM in person, the Company would like to remind all Shareholders to strictly comply with the requirements of the PRC and the Company in relation to the prevention and control measures of COVID-19.

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof (i.e. not later than 10:00 a.m. (Hong Kong time) on Wednesday, December 2, 2020). Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

November 16, 2020

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"2019 Circular"	the circular of the Company dated October 18, 2019
"2019 Share Purchase Agreement"	the share purchase agreement dated September 18, 2019 entered into between the Company and Beachhead Holdings Limited, pursuant to which the Company has conditionally agreed to sell, and Beachhead Holdings Limited has conditionally agreed to purchase, 1,000,000 CBPO Shares (as amended by amendment no. 1 thereto dated March 17, 2020, amendment no. 2 thereto dated May 5, 2020 and amendment no. 3 thereto dated October 26, 2020)
"Acquisition"	a proposed acquisition by the Consortium or their controlled affiliates of all of the outstanding CBPO Shares not already owned by the members of the Consortium as envisaged in the Consortium Agreement
"Acquisition Holdco"	a new company formed under the laws of the Cayman Islands by the parties to the Consortium Agreement, which is intended to hold 100% of CBPO after the closing of the Acquisition
"Biomedical Future"	Biomedical Future Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, whose principal business activity is investment holding. Biomedical Future is ultimately controlled by Mr. Joseph Chow, the chairman of the board of director and chief executive officer of CBPO
"Biomedical Treasure"	Biomedical Treasure Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, whose principal business activity is investment holding. Biomedical Treasure is ultimately controlled by Mr. Joseph Chow, the chairman of the board of director and chief executive officer of CBPO
"Board"	the board of Directors
"Business Day"	any day except any Saturday, any Sunday, any day that is a federal legal holiday in the United States or any day on which banking institutions in the State of New York, the PRC, Hong Kong, or the Cayman Islands are authorized or required by law or other governmental action to close

"Cash Out"	each CBPO Share held by the Company being cancelled and converted into a right to receive the Per Share Merger Consideration in the Privatization
"CBPO"	China Biologic Products Holdings, Inc., a Cayman Islands exempted company, which changed its place of domicile from Delaware to the Cayman Islands on July 21, 2017 and has been listed on NASDAQ since 2009
"CBPO Share(s)"	ordinary share(s) of CBPO at a par value of US$0.0001 per share
"CITIC Capital"	2019B Cayman Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose principal business activity is investment holding. The ultimate controller of 2019B Cayman Limited is CITIC Capital Holdings Limited
"CITIC Disposal"	the disposal of 910,167 CBPO Shares by the Company to CITIC Capital pursuant to the CITIC SPA
"CITIC SPA"	the share purchase agreement dated October 26, 2020 entered into between the Company and CITIC Capital, pursuant to which the Company has conditionally agreed to sell, and CITIC Capital has conditionally agreed to purchase, 910,167 CBPO Shares
"Company"	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011, whose principal business activity is investment holding and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1358)
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Consortium"	the consortium formed under the Consortium Agreement for the purpose of the Privatization and the Acquisition
"Consortium Agreement"	the consortium agreement dated September 18, 2019 and entered into among the Initial Consortium Members in connection with the Privatization and the Acquisition, as amended by amendment no. 1 thereto dated January 23, 2020
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules

"Covered Securities"	all of the existing and additional securities of CBPO of which a party to the Consortium Agreement has acquired or will acquire beneficial ownership
"DEHP"	Di-2-ethylhexyl phthalate, the most common number of the class of phthalates, which is used as plasticizers in polymer products to make plastic flexible
"Director(s)"	the director(s) of the Company
"Disposals"	the Management Disposal I, the CITIC Disposal and the Management Disposal II
"Dividend Record Date"	Thursday, December 24, 2020 being the record date for determining entitlement to the proposed Special Dividend
"Double Double"	Double Double Holdings Limited, an affiliate of Beachhead Holdings Limited
"EGM"	the extraordinary general meeting of the Company to be at 10:00 a.m. on Friday, December 4, 2020 at Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, the PRC for the purpose of considering and, if thought fit, approving, among others, (i) the Transaction Documents and the transactions contemplated thereunder (including the Disposals); and (ii) the declaration and payment of the proposed Special Dividend
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Infusion Set Business"	the R&D, manufacturing and sale of advanced infusion set products and intravenous cannula products
"Initial Consortium Members"	the Company, Beachhead Holdings Limited, Double Double, Point Forward, Mr. Joseph Chow, Parfield International Ltd., CITIC Capital China Partners IV, L.P., HH SUM-XXII Holdings Limited, V-Sciences Investments Pte Ltd., Biomedical Future, Biomedical Treasure and Biomedical Development Limited

"Latest Practicable Date"	November 9, 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Letter Agreements"	the letter agreements dated October 26, 2020 entered into between the Company and, among others, each of Biomedical Treasure, CITIC Capital and Biomedical Future, in connection with the Management Disposal I, the CITIC Disposal and the Management Disposal II and in furtherance of the Company's intention with regard to the Privatization
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Loan"	the loan made by Morgan Stanley Bank, N.A. to the Company in an amount of up to US$82,720,000 (equivalent to RMB567,724,000) pursuant to the Loan Agreement
"Loan Agreement"	the loan agreement entered into between the Company and Morgan Stanley Bank, N.A. on September 20, 2018
"Management Disposal I"	the disposal of 3,750,000 CBPO Shares by the Company to Biomedical Treasure pursuant to the Management SPA I
"Management Disposal II"	the disposal of 660,833 CBPO Shares by the Company to Biomedical Future as contemplated pursuant to the Management SPA II
"Management SPA I"	the share purchase agreement dated October 26, 2020 entered into between the Company and Biomedical Treasure, pursuant to which the Company has conditionally agreed to sell, and Biomedical Treasure has conditionally agreed to purchase, 3,750,000 CBPO Shares
"Management SPA II"	the share purchase agreement dated October 26, 2020 entered into between the Company and Biomedical Future, pursuant to which the Company has conditionally agreed to sell, and Biomedical Future has conditionally agreed to purchase, no less than 660,833 CBPO Shares and no more than 1,571,000 CBPO Shares

"Merger Agreement"	a definitive agreement and plan of merger relating to the Acquisition, as may be entered into by and among the Consortium and/or one or more of its affiliates, on the one hand, and CBPO, on the other hand, in the form to be agreed by such parties and approved by the board of directors of CBPO
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules
"NASDAQ"	The NASDAQ Stock Market LLC
"Per Share Merger Consideration"	the proposed consideration per CBPO Share payable in cash to CBPO's shareholders pursuant to the Merger Agreement
"Point Forward"	Point Forward Holdings Limited, an affiliate of Beachhead Holdings Limited
"PRC"	the People's Republic of China which, for the purpose of this circular, except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Privatization"	the proposed privatization of CBPO pursuant to which the CBPO Shares would be delisted from NASDAQ and deregistered under the Securities Exchange Act of 1934, as amended from time to time
"Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company as of the close of business on the Dividend Record Date
"R&D"	research and development
"Remaining Group"	the Group immediately after the closing of the Disposals
"RMB"	Renminbi, the lawful currency of the PRC
"Rollover Securities"	certain CBPO Shares and other securities (namely any restricted shares, share options and any other securities convertible, exercisable or exchangeable into CBPO Shares) of CBPO owned by the Initial Consortium Members and any additional member that may be admitted to the Consortium from time to time, to be contributed in exchange for newly issued shares of Acquisition Holdco

"Rollover Transaction"	Consortium members contributing their Rollover Securities in exchange for newly issued shares of Acquisition Holdco (as described in the section headed "Rollover and other arrangements" in pages 11 and 12 of the 2019 Circular)
"SEC"	U.S. Securities and Exchange Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of US$0.0001 each in the capital of the Company or if there has been a subsequent subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
"Share Exchange Agreement"	the share exchange agreement entered into between the Company and CBPO on October 12, 2017
"Share Purchase Agreements"	Management SPA I, CITIC SPA and Management SPA II
"Shareholder(s)"	shareholder(s) of the Company from time to time
"Special Dividend"	the special dividend of approximately US$0.2034 (equivalent to approximately HK$1.5764 for illustration purpose) on each Share recommended by the Board and subject to approval by the Shareholders at the EGM and the closing of the Disposals, payable in HK$ to each Qualifying Shareholder
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction Documents"	the Share Purchase Agreements and the Letter Agreements
"Tianxinfu"	Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司), a joint stock company established in the PRC on January 18, 2002; the Company disposed of its equity interests in Tianxinfu in January 2018
"United States"	the United States of America
"U.S. GAAP"	the accounting principles generally accepted in the United States of America
"US$"	United States dollars, the lawful currency of the United States

"%"	per cent

For the purpose of this circular, unless otherwise stated, the conversion of US$ into RMB is calculated by using an exchange rate of US$1.00 equal to RMB6.6123, being the central parity rate published by the State Administration of Foreign Exchange of the PRC on the Latest Practicable Date. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

For the purpose of this circular, unless otherwise stated, the conversion of US$ into HK$ is calculated by using an exchange rate of US$1.00 equal to HK$7.7504. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

PW MEDTECH GROUP LIMITED
普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

Executive Director:
Ms. Yue'e ZHANG *(Chairman & Chief Executive Officer)*

Non-executive Directors:
Mr. JIANG Liwei
Mr. LIN Junshan

Independent Non-executive Directors:
Mr. WANG Xiaogang
Mr. ZHANG Xingdong
Mr. CHEN Geng

Registered Office:
The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

Headquarters and Principal Place of Business in the PRC:
Building 1, No. 23 Panlong West Road
Pinggu District
Beijing, the PRC 101204

Principal Place of Business in Hong Kong:
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

November 16, 2020

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL DISPOSAL DISPOSAL OF CBPO SHARES AND PROPOSED PRIVATIZATION OF CBPO; (2) PROPOSED SPECIAL DIVIDEND; AND (3) NOTICE OF THE EGM

I. INTRODUCTION

Reference is made to the announcements of the Company dated September 19, 2019, November 7, 2019, January 23, 2020, May 5, 2020, May 10, 2020, September 16, 2020, October 26, 2020, October 27, 2020 and November 6, 2020, and the 2019 Circular in relation to, among others, the disposal of CBPO Shares, the Consortium Agreement, the Privatization. the Disposals and the proposed Special Dividend.

As disclosed in the announcement of the Company dated September 19, 2019, the Company conditionally agreed to sell 1,000,000 CBPO Shares at the sale price of US$101.0 per CBPO Share under the 2019 Share Purchase Agreement, the completion of which took place on May 8, 2020. As disclosed in the 2019 Circular, the Company, as an Initial Consortium Member and a rollover shareholder, agreed to participate in the Privatization and contribute 5,321,000 CBPO Shares and nil cash contribution under the Consortium Agreement, in exchange for newly issued shares of the Acquisition Holdco. As disclosed in the announcement of the Company dated October 26, 2020, the Company entered into an amendment No. 3 to the 2019 Share Purchase Agreement with each of Point Forward and Double Double, pursuant to which Point Forward and Double Double agreed to pay US$7,315,000 and US$11,685,000, respectively, as adjustments to the sale price of the CBPO Shares disposed of by the Company under the 2019 Share Purchase Agreement. The amount of such adjustments is equal to the product of (i) US$19.0 (being the excess of (a) the proposed consideration of US$120.0 per CBPO Share under the Privatization over (b) the sale price of the CBPO Shares disposed of by the Company under the 2019 Share Purchase Agreement) multiplied by (ii) the number of all their respective assigned CBPO Shares (Point Forward: 385,000 CBPO Shares; Double Double: 615,000 CBPO Shares) under the 2019 Share Purchase Agreement.

After good and careful consideration and discussion with other Consortium members in relation to the Privatization and in light of the entry into the Share Purchase Agreements, the Board decided not to proceed with the Rollover Transaction with respect to the Company in the Privatization as contemplated under the Consortium Agreement, provided that (i) the closing of the Disposals shall be conducted in full pursuant to the Share Purchase Agreements; or (ii) before the Acquisition takes place in accordance with the Merger Agreement, the Share Purchase Agreements are not terminated without the closing of the Disposals having taken place. Pursuant to the Share Purchase Agreements, together with other ancillary documents, the Company has agreed to sell an aggregate of 5,321,000 CBPO Shares it holds, which represents the entire shareholding of the Company in CBPO, to Biomedical Treasure, CITIC Capital and Biomedical Future. It is expected that the Company would cease to be a Consortium member immediately after the closing of the Disposals. As at the Latest Practicable Date, the Consortium members comprise the Company, Beachhead Holdings Limited, Double Double, Point Forward, Mr. Joseph Chow, Parfield International Ltd., CITIC Capital China Partners IV, L.P., HH SUM-XXII Holdings Limited, V-Sciences Investments Pte Ltd., Biomedical Future, Biomedical Treasure and Biomedical Development Limited.

The purpose of this circular is to provide you with, among other things, (i) further details of the Transaction Documents and the transactions contemplated thereunder (including the Disposals); (ii) the proposed Special Dividend; (iii) the financial and other information of the Group; (iv) the financial and other information of CBPO; (v) the unaudited pro forma financial information of the Remaining Group; and (vi) the notice of the EGM.

II. SHARE PURCHASE AGREEMENTS

Principal Terms of the Share Purchase Agreements

The principal terms of the Share Purchase Agreements are summarized as below:

Date

October 26, 2020

Parties

Management SPA I

(1) the Company as seller; and

(2) Biomedical Treasure as purchaser.

CITIC SPA

(1) the Company as seller; and

(2) CITIC Capital as purchaser.

Management SPA II

(1) the Company as seller; and

(2) Biomedical Future as purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Biomedical Treasure, CITIC Capital, Biomedical Future and their respective ultimate beneficial owners, if any, is a third party independent of the Company and its connected persons.

Subject Matter and Consideration

Management SPA I

Pursuant to the Management SPA I, the Company has conditionally agreed to sell, and Biomedical Treasure has conditionally agreed to purchase, 3,750,000 CBPO Shares, subject to the terms and conditions of the Management SPA I, at the sale price of US$120.0 per CBPO Share, which was determined after arm's length negotiations between the Company and Biomedical Treasure on normal commercial terms with reference to the proposed consideration of US$120.0 per CBPO Share under the Privatization. The aggregate sale price for the CBPO Shares to be sold by the Company to Biomedical Treasure shall be US$450.0 million.

CITIC SPA

Pursuant to the CITIC SPA, the Company has conditionally agreed to sell, and CITIC Capital has conditionally agreed to purchase, 910,167 CBPO Shares (the "**CITIC SPA Sale Shares**"), subject to the terms and conditions of the CITIC SPA, at the sale price of US$120.0 per CBPO Share, which was determined after arm's length negotiations between the Company and CITIC Capital on normal commercial terms with reference to the proposed consideration of US$120.0 per CBPO Share under the Privatization. The aggregate sale price for the CBPO Shares to be sold by the Company to CITIC Capital shall be approximately US$109.2 million.

Management SPA II

Pursuant to the Management SPA II, the Company has conditionally agreed to sell, and Biomedical Future has conditionally agreed to purchase, no less than 660,833 CBPO Shares (the "**Initial Management SPA II Sale Shares**") and no more than 1,571,000 CBPO Shares, subject to the terms and conditions of the Management SPA II, at the sale price of US$120.0 per CBPO Share, which was determined after arm's length negotiations between the Company and Biomedical Future on normal commercial terms with reference to the proposed consideration of US$120.0 per CBPO Share under the Privatization. The number of CBPO Shares to be purchased by Biomedical Future pursuant to the Management SPA II is subject to the following adjustment mechanism:

(1) in the event that the CITIC SPA is terminated before the Company's delivery of the payment notice with respect to the Initial Management SPA II Sale Shares pursuant to the Management SPA II to Biomedical Future, the number of the Initial Management SPA II Sale Shares shall be automatically increased to include the CITIC SPA Sale Shares, being an aggregate of 1,571,000 CBPO Shares; or

(2) in the event that (i) the CITIC SPA is terminated after the Company's delivery of the payment notice with respect to the Initial Management SPA II Sale Shares pursuant to the Management SPA II to Biomedical Future, or (ii) the CITIC Disposal has not consummated with respect to all the CITIC SPA Sale Shares in accordance with the CITIC SPA, Biomedical Future shall, in addition to (and not in lieu of) purchasing the aforementioned Initial Management SPA II Sale Shares at the Initial Management Disposal II Closing (as defined below), purchase at the Additional Management Disposal II Closing (as defined below) all of the remaining CITIC SPA Sale Shares that are not purchased by CITIC Capital under the CITIC SPA (the "**Additional Management SPA II Sale Shares**").

The number of CBPO Shares to be sold by the Company to Biomedical Future shall range from 660,833 CBPO Shares to 1,571,000 CBPO Shares, thus the corresponding aggregate sale price for such CBPO Shares to be sold shall range from approximately US$79.3 million to US$188.5 million.

Immediately prior to the entry into of the Share Purchase Agreements, the Company holds 5,321,000 CBPO Shares, which represents 13.79% of all issued and outstanding share capital in CBPO. Immediately after the closing of the Disposals, the Company will not hold any equity interest in CBPO, assuming there are no other changes in the current share capital and shareholding structure of CBPO from the date of the Share Purchase Agreements to the closing of the Disposals.

The following table sets forth the shareholding structure of CBPO before and after the Disposals, respectively:

Shareholders of CBPO	**Shareholding before the Disposals(1), (2)**	**Shareholding after the Disposals in the event that 660,833 CBPO Shares are disposed of under the Management SPA II(2), (3)**	**Shareholding after the Disposals in the event that 1,571,000 CBPO Shares are disposed of under the Management SPA II(2), (3)**
The Company	5,321,000 (13.79%)	Nil	Nil
Biomedical Future	Nil	660,833 (1.71%)	1,571,000 (4.07%)
Biomedical Treasure	Nil	3,750,000 (9.72%)	3,750,000 (9.72%)
CITIC Capital(4)	3,743,868 (9.70%)	4,654,035 (12.06%)	3,743,868 (9.70%)
Beachhead Holdings Limited	7,908,726 (20.50%)	7,908,726 (20.50%)	7,908,726 (20.50%)
Double Double	775,000 (2.00%)	775,000 (2.00%)	775,000 (2.00%)
Point Forward	1,986,265 (5.15%)	1,986,265 (5.15%)	1,986,265 (5.15%)
Parfield International Ltd.(5)	2,437,696 (6.32%)	2,437,696 (6.32%)	2,437,696 (6.32%)
V-Sciences Investments Pte Ltd	1,240,000 (3.21%)	1,240,000 (3.21%)	1,240,000 (3.21%)
Hillhouse Capital Advisors, Ltd.(6)	2,962,076 (7.68%)	2,962,076 (7.68%)	2,962,076 (7.68%)
Mr. Joseph Chow	111,509 (0.29%)	111,509 (0.29%)	111,509 (0.29%)
Other shareholders of CBPO	12,097,737 (31.35%)	12,097,737 (31.35%)	12,097,737 (31.35%)
Total	38,583,877 (100%)	38,583,877 (100%)	38,583,877 (100%)

Notes:

(1) Based on (i) the public information extracted from CBPO's financial results for the second quarter of 2020 and the public filings by CBPO's shareholders as of the Latest Practicable Date; and (ii) the disclosure of the respective Initial Consortium Members in the Consortium Agreement.

(2) The percentage shareholding may not add up to 100% due to rounding.

(3) Assuming there will be no other changes in the shareholding of CBPO except for the Disposals.

(4) CITIC Capital China Partners IV, L.P. is the parent company of CITIC Capital. As such, CITIC Capital China Partners IV, L.P. is deemed to share beneficial ownership of the CBPO Shares held by CITIC Capital.

(5) Mr. Marc Chan is the director and sole shareholder of Parfield International Ltd.

(6) HH SUM-XXII Holdings Limited is ultimately controlled by Hillhouse Capital Advisors, Ltd., and thus HH SUM-XXII Holdings Limited is an affiliate of Hillhouse Capital Advisors, Ltd. For the purpose of the Consortium Agreement, HH SUM-XXII Holdings Limited is deemed to beneficially own the 2,962,076 CBPO Shares held by Hillhouse Capital Advisors, Ltd.

The sale price of US$120.0 per CBPO Share under the Share Purchase Agreements represents:

(i) a premium of approximately 7.50% to the average closing price per CBPO Share on the NASDAQ for the 30 trading days immediately preceding the date of the Share Purchase Agreements;

(ii) a premium of approximately 6.78% to the average closing price per CBPO Share on the NASDAQ for the 20 trading days immediately preceding the date of the Share Purchase Agreements;

(iii) a premium of approximately 5.88% to the average closing price per CBPO Share on the NASDAQ for the five trading days immediately preceding the date of the Share Purchase Agreements;

(iv) a premium of approximately 6.03% to the closing price per CBPO Share on the NASDAQ on October 23, 2020, being the last trading day immediately preceding the date of the Share Purchase Agreements; and

(v) a premium of approximately 3.38% to the closing price per CBPO Share on the NASDAQ as of the Latest Practicable Date.

Closing

Management Disposal I and CITIC Disposal

Each of the closing of the Management Disposal I and the CITIC Disposal shall take place within fifteen Business Days after all the conditions precedent set out in the Management SPA I and the CITIC SPA, respectively, are satisfied or waived (other than those conditions that by their nature are to be satisfied at the closing, but subject to the satisfaction or waiver of such conditions at the closing) or such other date as may be agreed by the Company and Biomedical Treasure and CITIC Capital, respectively.

Management Disposal II

The closing of the disposal of the Initial Management SPA II Sale Shares (including the CITIC SPA Sale Shares, if the CITIC SPA is terminated before the Company delivering a payment notice under the Management SPA II to Biomedical Future) under the Management Disposal II shall take place within fifteen business days after all the conditions precedent set out in the Management SPA II are satisfied or waived (other than those conditions that by their nature are to be satisfied at the initial closing, but subject to the satisfaction or waiver of such conditions at the initial closing) or such other date as may be agreed by the Company and Biomedical Future (the "**Initial Management Disposal II Closing**"). In the event that (i) the CITIC SPA is terminated after the Company's delivery to Biomedical Future of a payment notice with respect to the Initial Management SPA II Sale Shares pursuant to the Management SPA II, or (ii) the CITIC Disposal has not consummated with respect to all the CITIC SPA Sale Shares in accordance with the CITIC SPA, the closing of the disposal of the Additional Management SPA II Sale Shares under the Management Disposal II shall take place within ten business days after the date of the Initial Management Disposal II Closing or such other date as may be agreed by the parties (the "**Additional Management Disposal II Closing**"). With respect to each of the Initial Management Disposal II Closing and the Additional Management Disposal II Closing, all actions at such respective closings are inter-dependent and will be deemed to take place simultaneously and no delivery or payment will be deemed to have been made until all deliveries and payments under the Management SPA II due to be made at the Initial Management Disposal II Closing or the Additional Management Disposal II Closing (as applicable) have been made.

Conditions Precedent

The obligations of the Company to consummate the closing of the Management Disposal I and the CITIC Disposal, as well as the Initial Management Disposal II Closing are subject to the following conditions, among others:

(i) Biomedical Treasure, CITIC Capital or Biomedical Future (as the case may be) having performed all of its obligations to be performed prior to the respective closings as set out in the relevant Share Purchase Agreement in all material respects;

(ii) the Shareholders shall have duly approved the transactions contemplated under the relevant Share Purchase Agreement at the EGM in accordance with the requirements of the Listing Rules and the organizational documents of the Company;

(iii) (a) an amendment to the Rule 13e-3 transaction statement on Schedule 13E-3 filed by certain members of the Consortium on February 19, 2020 (as amended from time to time) in respect of the entry into the relevant Share Purchase Agreement and the transactions contemplated thereunder has been first filed with the SEC for no less than thirty days, and (b) such amendment has been disseminated in accordance with Rule 13e-3(f) under the Securities Exchange Act of 1934 for no less than twenty days; and

(iv) no provision of any applicable treaty, law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court (including without limitation the SEC), domestic or foreign, shall prohibit the consummation of the closing of the Management Disposal I or the CITIC Disposal, or the Initial Management Disposal II Closing (as the case may be).

The obligations of Biomedical Treasure, CITIC Capital or Biomedical Future (as the case may be) to consummate the closing of the Management Disposal I or the CITIC Disposal, or the Initial Management Disposal II Closing (as the case may be) are subject to the following conditions, among others:

(i) the Company shall have performed all of its obligations to be performed prior to the respective closings as set out in the relevant Share Purchase Agreement in all material respects;

(ii) the Shareholders shall have duly approved the transactions contemplated under the relevant Share Purchase Agreement at the EGM in accordance with the requirements of the Listing Rules and the organizational documents of the Company;

(iii) (a) an amendment to the Rule 13e-3 transaction statement on Schedule 13E-3 filed by certain members of the Consortium on February 19, 2020 (as amended from time to time) in respect of the entry into the relevant Share Purchase Agreement and the transactions contemplated thereunder has been first filed with the SEC for no less than thirty days, and (b) such amendment has been disseminated in accordance with Rule 13e-3(f) under the Securities Exchange Act of 1934 for no less than twenty days; and

(iv) no provision of any applicable treaty, law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court (including without limitation the SEC), domestic or foreign, shall prohibit the consummation of the closing of the Management Disposal I or the CITIC Disposal, or the Initial Management Disposal II Closing (as the case may be).

Termination

Each of the Share Purchase Agreements may be terminated prior to the closing of the Management Disposal I or the CITIC Disposal, or the Initial Management Disposal II Closing (as the case may be) (i) by mutual written consent of the Company and Biomedical Treasure, CITIC Capital or Biomedical Future (as the case may be); (ii) by the Company or Biomedical Treasure, CITIC Capital or Biomedical Future (as the case may be) if the closing of the Management Disposal I or the CITIC Disposal, or the Initial Management Disposal II Closing (as the case may be) has not occurred by the earlier of (a) the twentieth Business Day from the date on which the Shareholders have duly approved the transactions contemplated under each of the Share Purchase Agreements at the EGM and (b) the date that is six months from the date of the respective Share Purchase Agreements (such right of termination is not available to a party to each relevant Share Purchase Agreement which is then in material breach of such Share Purchase Agreement); or (iii) automatically without any action of the Company or Biomedical Treasure, CITIC Capital or Biomedical Future (as the case may be) immediately before the closing of the Privatization.

III. ANCILLARY DOCUMENTS

Letter Agreements

On October 26, 2020, in connection with the Management Disposal I, the CITIC Disposal and the Management Disposal II and in furtherance of the Company's intention with regard to the Privatization as further described below under the section headed "V. Privatization" below, the Company has entered into the Letter Agreements with, among others, each of Biomedical Treasure, CITIC Capital and Biomedical Future, pursuant to which, the parties thereto have agreed, among others: (i) during such period from the date of the respective Letter Agreements and until the occurrence of any of the following events (whichever is the earliest), the Company shall not proceed with the Rollover Transaction with respect to the Company in the Privatization: (w) the closing of the Management Disposal I or the CITIC Disposal, or the Initial Management Disposal II Closing (as the case may be); (x) the valid termination of the relevant Share Purchase Agreement; (y) the closing of the Privatization and (z) the execution of the Merger Agreement (or any amendment to the Merger Agreement) which provides that the Per Share Merger Consideration becomes less than US$120; (ii) in the event that the closing of the Privatization takes place before the closing of the Disposals, the Company shall conduct the Cash Out only when the Per Share Merger Consideration is not less than US$120; and (iii) the Company shall bear the agreed portion of all out-of-pocket costs and expenses that have been incurred and accrued by the Consortium in connection with the Privatization prior to the closing of the Disposals, while the Company shall not bear any of the out-of-pocket costs and expenses incurred by the Consortium in connection with the Privatization after the closing of the Management Disposal I or the CITIC Disposal, or the Initial Management Disposal II Closing (as the case may be), subject to the terms and conditions of the respective Letter Agreements.

Equity Commitment Letters

In relation to the considerations payable under the Share Purchase Agreements, each of Biomedical Treasure, CITIC Capital or Biomedical Future has received an equity commitment letter from an affiliate of their respective beneficial owners or a designated entity (each a "**Sponsor**" of Biomedical Treasure, CITIC Capital or Biomedical Future, as the case may be), with the Company as a third party beneficiary to each of such equity commitment letters. Pursuant to the equity commitment letters, each of the respective Sponsors has committed to fund the acquisition of the CBPO Shares contemplated under the relevant Share Purchase Agreement, and subject to certain conditions, the Company is entitled to enforce the rights granted to Biomedical Treasure, CITIC Capital or Biomedical Future (as the case may be) under the relevant equity commitment letter to cause the funding by the relevant Sponsor to fund the respective transactions under the relevant Share Purchase Agreement.

IV. IMPLICATIONS OF THE EXCLUSIVITY PERIOD UNDER THE CONSORTIUM AGREEMENT

As disclosed in the 2019 Circular, except as contemplated or permitted under the Consortium Agreement, each party to the Consortium Agreement (including the Company) represented, covenanted and agreed that, among others, during a period of twelve months beginning on the date of the Consortium Agreement, which may be extended by the Initial Consortium Members in writing (the "**Exclusivity Period**"), it will not, and it will cause its affiliates not to, transfer any of its Covered Securities, or any voting right or power (including whether such right or power is granted by proxy or otherwise) or economic interest therein. As disclosed in the announcement of the Company dated September 16, 2020, the Exclusivity Period has been extended to December 17, 2020 as additional time is required to implement the Acquisition.

On October 26, 2020, the Company has obtained the irrevocable written consent pursuant to the Consortium Agreement permitting the Company to enter into the Share Purchase Agreements and consummate the Disposals.

V. PRIVATIZATION

It is the intention of the Company not to proceed with the Rollover Transaction with respect to the Company in the Privatization and to complete the Disposals as soon as practicable once the Disposals are approved by the Shareholders at the EGM, and the number of Rollover Securities to be contributed by the Company under the Consortium Agreement has been adjusted to zero. It is expected that the Company and other Consortium members will sign an amended and restated Consortium Agreement around the time when the Merger Agreement is signed, which is expected to provide that, subject to the terms and conditions contained therein, the Consortium Agreement would terminate with respect to the Company upon the completion of the Disposals.

VI. INFORMATION ON CBPO

CBPO is a biopharmaceutical company principally engaged in the research, development, manufacturing and sales of human plasma-based biopharmaceutical products, or plasma products, in China. CBPO has been listed on NASDAQ since 2009 and it changed its place of domicile from Delaware to the Cayman Islands on July 21, 2017.

Financial information on CBPO

According to the published financial statements of CBPO, the financial results of CBPO prepared in accordance with U.S. GAAP for the two years ended December 31, 2018 and 2019 are as follows:

	For the year ended December 31, *US$*	
	2018	**2019**
	(audited)	**(audited)**
Profit before taxation	166,003,295	191,493,711
Profit after taxation	147,967,115	163,395,186

The unaudited net asset value of CBPO as of June 30, 2020 was US$1,859,085,982.

VII. INFORMATION ON BIOMEDICAL TREASURE, CITIC CAPITAL AND BIOMEDICAL FUTURE

Biomedical Treasure

Biomedical Treasure is an exempted company with limited liability incorporated under the laws of the Cayman Islands, whose principal business activity is investment holding. Biomedical Treasure is ultimately controlled by Mr. Joseph Chow, the chairman of the board of director and chief executive officer of CBPO.

CITIC Capital

CITIC Capital is an exempted company incorporated in the Cayman Islands with limited liability, whose principal business activity is investment holding. The ultimate controller of CITIC Capital is CITIC Capital Holdings Limited.

Biomedical Future

Biomedical Future is an exempted company with limited liability incorporated under the laws of the Cayman Islands, whose principal business activity is investment holding. Biomedical Future is ultimately controlled by Mr. Joseph Chow, the chairman of the board of director and chief executive officer of CBPO.

VIII. INFORMATION ON THE GROUP

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011, whose principal business activity is investment holding and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1358). The Group is principally engaged in the development, manufacturing and sale of advanced infusion set and intravenous cannula products.

IX. FINANCIAL EFFECTS OF THE DISPOSALS ON THE GROUP

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Disposals had taken place on June 30, 2020, it is estimated that the Group will record a gain on the Disposals of approximately RMB1,594,620, which is estimated by the Company based on the unaudited condensed consolidated balance sheets of CBPO as at June 30, 2020, and using the exchange rate of US$1= RMB7.0795 as at June 30, 2020.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Disposals had taken place on June 30, 2020, (i) the unaudited pro forma consolidated total assets of the Remaining Group would have increased from approximately RMB4,936,609,000 to approximately RMB6,392,133,000; and (ii) the unaudited pro forma consolidated total liabilities of the Remaining Group would have remained unchanged at approximately RMB162,965,000.

The excess of the aggregate consideration under the Share Purchase Agreements over the net book value of the 5,321,000 CBPO Shares to be disposed of, based on 13.79% of the unaudited net asset value of CBPO as at June 30, 2020, amounted to approximately US$382,152,043.

X. INTENDED USE OF PROCEEDS

The total gross proceeds from the Disposals are equivalent to approximately RMB4,222 million.

The Group intends to apply the total gross proceeds from the Disposals as follows:

(1) approximately RMB2,111 million or approximately 50% of the total gross proceeds from the Disposals will be used for distribution of the proposed Special Dividend;

(2) approximately RMB28 million will be used for repayment of bank loans;

(3) approximately RMB700 million will be used for capital expenditure or long term investments; and

(4) the remaining approximately RMB1,383 million, will be used for the Group's general corporate and working capital purposes or for future investment opportunities in the medical industry or for other purposes.

In particular, in relation to the intended use of the proceeds for capital expenditure purpose and for general corporate and working capital purposes, the Group plans to expand its production capacity, and upgrade its production facilities for the existing advanced infusion set products and intravenous cannula products, and diversify its product portfolio by expansion of the diabetes therapy sector medical devices and other medical sectors, and allocate more funds into R&D and expansion of its distribution network in a proactive manner.

XI. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Disposals will provide the Group with an immediate cash inflow and enable the Group to crystallize its investment gains in CBPO in an expedited manner. In light of the recent developments and prospects for the Company's Infusion Set Business and its market in China, the Directors are of the view that the Disposals present an opportunity for the Company to reallocate its financial resources to and focus on (i) its Infusion Set Business through increasing production capacity and R&D capacity for advanced infusion set products and cannula products; and (ii) continue the R&D and expansion of the diabetes therapy sector medical devices and other medical sectors (such as insulin pump, insulin injection needle and pen, and etc.) to further optimize its business coverage. The Directors also believe that a divestment of a minority investment in the plasma business as operated by CBPO will help the Company to focus on its business plan as described above in the near future. In addition, the Disposals would enable the Company to optimize its capital structure and share the investment gains with its shareholders by way of distribution of the Special Dividend, which would not be made available should the Company continue with its Rollover Transaction under the Privatization.

The Directors (including the independent non-executive Directors) consider that the terms of the Transaction Documents and the transactions contemplated thereunder (including the Disposals) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

XII. LISTING RULES IMPLICATIONS

As the Management SPA I, the CITIC SPA and the Management SPA II were entered into by the Company on the same day and each of the Management Disposal I, the CITIC Disposal and the Management Disposal II involves the disposal of CBPO Shares, the Management Disposal I, the CITIC Disposal and the Management Disposal II are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposals exceed 75%, the Disposals constitute very substantial disposals of the Company which are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

XIII. WAIVER FROM STRICT COMPLIANCE WITH RULE 14.68(2)(a)(i) OF THE LISTING RULES

Pursuant to Rule 14.68(2)(a)(i) of the Listing Rules, a circular issued in relation to a very substantial disposal must contain, on a disposal of a business, company or companies, financial information of either: (i) the business, company or companies being disposed of; or (ii) the listed issuer's group with the business, company or companies being disposed of shown separately as (a) disposal group(s) or (b) discontinuing operation(s), for the relevant period (as defined in the note to Rule 4.06(1)(a) of the Listing Rules). The financial information must be prepared by the directors of the listed issuer using accounting policies of the Company and must contain at least the income statement, balance sheet, cash flow statement and statement of changes in equity. The financial information must be reviewed by the listed issuer's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditors or reporting accountants and details of any modifications in the review report.

Note 1 to Rule 14.68(2)(a)(i) of the Listing Rules states that the listed issuer may include an accountants' report instead of a review by its auditors or reporting accountants. In that case, the accountants' report must comply with Chapter 4 of the Listing Rules. Further, Note 2 to Rule 14.68(2)(a)(i) of the Listing Rules states that the Stock Exchange may be prepared to relax the requirements in Rule 14.68(2)(a)(i) of the Listing Rules if the assets of the company or companies being disposed of are not consolidated in the issuer's accounts before the disposal.

In this connection, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.68(2)(a)(i) of the Listing Rules on the following grounds:

(a) prior to the closing of the Disposals, CBPO is not a subsidiary of the Company and its results are not consolidated in the financial statements of the Company. The Company's minority interest in CBPO has been treated as an investment in an associate and accounted for using the equity method of accounting. Immediately after the closing of the Disposals, the Company will not hold any equity interest in CBPO, assuming there are no other changes in the current share capital and shareholding structure of CBPO from the date of the Share Purchase Agreements to the closing of the Disposals;

(b) CBPO is required to file its financial information with the SEC periodically within prescribed deadlines. CBPO publishes its audited financial statements on a yearly basis and its unaudited financial statements on a quarterly basis on the SEC website. These financial disclosures published by CBPO were subject to regulations of NASDAQ and the SEC;

(c) the financial statements of CBPO as of December 31, 2017, 2018, and 2019 and for the years then ended, which were prepared under U.S. GAAP, were audited by KPMG Huazhen LLP in accordance with the standards of Public Company Accounting Oversight Board (United States) and published on the SEC website. KPMG Huazhen LLP is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. KPMG Huazhen LLP is also registered with a recognized body of accountants, namely the Beijing Institute of Certified Public Accountants;

(d) as advised by CBPO, it is not able to give access to its accounting records and provide explanation in relation to the same for the Company's auditor to audit its accounts prepared under HKFRS given (i) CBPO is bound by the relevant securities regulations of the United States which require all publicly traded companies to disclose material information to all investors at the same time, as a result CBPO cannot disclose any non-public financial information to the Company; (ii) it is not the prevailing market practice in the Unites States for an investor making a private minority investment in a public company to be granted access to non-public financial information; and (iii) considerable amount of additional work will be required to convert the financial information of CBPO for each of the three financial years ended December 31, 2019 and the six months ended June 30, 2020 from U.S. GAAP to HKFRS, which is not commensurate with a transaction of the same nature. Accordingly, it would be unduly burdensome, time consuming, costly and impractical for the Company to produce an accountants' report on CBPO in the circular for the following reasons:

(i) the Company does not have access to non-public financial information of CBPO, as a result it would be impractical for the Company to prepare an accountants' report on CBPO due to the lack of access to CBPO's accounting records; and

(ii) the Company would incur significant costs and expenses to conduct an audit or review of CBPO's accounts prepared in accordance with HKFRS and significantly delay the closing of the Disposals, which may not be in the best interest of the Shareholders.

As an alternative to disclosure in compliance with Rule 14.68(2)(a)(i) of the Listing Rules, the following have been included in this circular:

(a) the audited financial statements of CBPO for the three years ended December 31, 2019 and the unaudited financial statements of CBPO for the six months ended June 30, 2020 prepared under U.S. GAAP as extracted from the annual reports and quarterly report of CBPO for the aforementioned periods which have been published on the SEC website;

(b) a line-by-line reconciliation of the financial statements of CBPO for the differences between its accounting policies under U.S. GAAP and the accounting policies of the Company under HKFRS, with an explanation of the differences; and

(c) additional information which is required for an accountants' report under Chapter 4 of the Listing Rules but not disclosed in the published financial statements of CBPO.

Accordingly, the Company considers that this circular would provide sufficient information to the Shareholders to make a properly informed assessment of the Disposals, and that the waiver from strict compliance with Rule 14.68(2)(a)(i) of the Listing Rules would be unlikely to result in undue risks to the Shareholders.

XIV. PROPOSED SPECIAL DIVIDEND

As disclosed in the announcement of the Company dated November 6, 2020, the Board has recommended that the proposed Special Dividend of approximately US$0.2034 per Share (equivalent to approximately HK$1.5764 per Share for illustration purpose) (subject to approval of the Shareholders at the EGM and the closing of the Disposals) be declared and paid to the Qualifying Shareholders on or around January 20, 2021, to be payable out of approximately 50% of the total gross proceeds from the Disposals (being approximately RMB2,111 million). The proposed Special Dividend will be declared in US$ and paid in HK$. The proposed Special Dividend payable in HK$ will be converted from US$ at the relevant exchange rate on December 4, 2020, being the date of the EGM at which the declaration and payment of the proposed Special Dividend is proposed to be approved by the Shareholders. The Qualifying Shareholders will receive the proposed Special Dividend in cash of approximately US$0.2034 per Share (equivalent to approximately HK$1.5764 per Share for illustration purpose) (subject to approval of the Shareholders at the EGM and the closing of the Disposals).

XV. EGM AND PROXY ARRANGEMENT

The EGM will be held at 10:00 a.m. (Hong Kong time) on Friday, December 4, 2020, at Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, the PRC, at which ordinary resolutions will be proposed to consider and, if thought fit, approve, (i) the Transaction Documents and the transactions contemplated thereunder (including the Disposals); and (ii) the declaration and payment of the proposed Special Dividend. The notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

The Company has received an undertaking from Cross Mark Limited, a controlling shareholder of the Company, to vote in favor of the resolutions to approve the Transaction Documents and the transactions contemplated thereunder (including the Disposals) at the EGM. As of the Latest Practicable Date, to the best knowledge of the Directors, Cross Mark Limited directly holds 575,061,863 Shares, representing an approximate 36.65% interest in the Company. The Company has also received a confirmation from two of its other Shareholders, Right Faith Holdings Limited and Amplewood Resources Limited, to abstain from voting on the resolutions to be proposed at the EGM. Right Faith Holdings Limited and Amplewood Resources Limited are companies wholly-owned by Mr. Marc Chan, ultimately a substantial Shareholder and the sole owner of Parfield International Ltd. which is one of the Initial Consortium Members. As of the Latest Practicable Date, to the best knowledge of the Directors, Right Faith Holdings Limited and

Amplewood Resources Limited directly hold 393,385,962 Shares and 15,000,000 Shares, representing an approximate 25.07% and an approximate 0.96% interest in the Company, respectively.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the Latest Practicable Date, no Shareholder had a material interest in the Transaction Documents and the transactions contemplated thereunder (including the Disposals) and therefore, no Shareholder is required to abstain from voting at the EGM for the relevant resolutions in respect of the Transaction Documents and the transactions contemplated thereunder (including the Disposals) and the declaration and payment of the proposed Special Dividend.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pwmedtech.com). Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM (i.e. not later than 10:00 a.m. (Hong Kong time) on Wednesday, December 2, 2020) or any adjournment thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish and in such event, your form of proxy shall be deemed to be revoked.

XVI. CLOSURE OF REGISTER OF MEMBERS

To ascertain Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, December 1, 2020 to Friday, December 4, 2020 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the EGM, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited (at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration no later than 4:30 p.m. (Hong Kong time), on Monday, November 30, 2020.

To ascertain Shareholders' entitlement to the proposed Special Dividend, the register of members of the Company will be closed from Tuesday, December 22, 2020 to Thursday, December 24, 2020 (both days inclusive), during which period no share transfer will be effected. In order to qualify for the proposed Special Dividend, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited (at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration no later than 4:30 p.m. (Hong Kong time), on Monday, December 21, 2020.

XVII. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that (i) the terms of the Transaction Documents and the transactions contemplated thereunder (including the Disposals); and (ii) the declaration and payment of the proposed Special Dividend are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

XVIII. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM as set out on pages EGM-1 to EGM-2, which form part of this circular.

As the closing of the Disposals is subject to the satisfaction and/or waiver (as applicable) of the conditions precedent in the Share Purchase Agreements, the Disposals may or may not proceed. Further, as the proposed Special Dividend is subject to the approval of the Shareholders at the EGM and the closing of the Disposals, the proposed Special Dividend may or may not be declared and paid. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

Yours faithfully,
By order of the Board
PW Medtech Group Limited
普华和顺集团公司
Yue'e Zhang
Chairman & Chief Executive Officer

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 are disclosed in the annual reports of the Company for the years ended 2017 (pages 64 to 141), 2018 (pages 67 to 148) and 2019 (pages 74 to 148) and the interim report of the Company for the six months ended June 30, 2020 (pages 20 to 44), respectively. The said annual reports and interim report have been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.pwmedtech.com), which can be accessed by direct hyperlinks below:

(1) 2017 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271118.pdf

(2) 2018 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424372.pdf

(3) 2019 annual report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042800700.pdf

(4) 2020 interim report:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0917/2020091700513.pdf

2. INDEBTEDNESS STATEMENT

Bank borrowing

As at the close of business on September 30, 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had an aggregate outstanding borrowing of approximately RMB28,000,000, further details of which are set as below:

(1) The Group has a bank borrowing representing trade finance advanced from the Bank of Beijing. As at September 30, 2020, bank facilities in total of RMB10,000,000 were granted to the Group's subsidiary, Beijing Fert Technology Co. Ltd. by the Bank of Beijing, all of which had been utilised by the Company as at September 30, 2020.

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants, the drawn down facilities would become repayable on demand. The borrowings are secured by corporate guarantee, bears interest at 0.91% plus the prime rate of the Central Bank in the PRC and are stated at amortised cost.

(2) As at September 30, 2020, bank facilities in total of RMB220,000,000 were granted to the Group's subsidiary by the Industrial and Commercial Bank of China, of which RMB18,000,000 had been utilized by the Company as at September 30, 2020.

The borrowings are secured by the leasehold land and building owned by the Group's subsidiary, bears interest at the prime rate of the Central Bank in the PRC minus 0.10% and are stated at amortised cost.

Lease obligation

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to three years. As at September 30, 2020, the Group's total lease liabilities recognised under HKFRS16 under non-cancellable leases contracts is RMB89,121.

Contingent liabilities

As at September 30, 2020, the Group did not have any significant contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, financial leases or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at September 30, 2020.

3. MATERIAL ADVERSE CHANGE

Save for the significant decrease in the revenue from the Infusion Set Business for the six months ended June 30, 2020, which is mainly due to the outbreak of COVID-19 starting in early 2020, as of the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2019, the date to which the latest published audited consolidated financial statements of the Group were made up. Please refer to the interim result announcement of the Company dated August 27, 2020 and the profit alert announcement of the Company dated July 6, 2020 for further details on such decrease in revenue.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the currently available facilities and the effects of the Disposals, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As a leading medical device company in China, the Company focuses on the fast-growing and highly profitable medical device market in China. Currently, it is mainly engaged in the Infusion Set Business.

The Company has been committed to expanding new markets with great potentials for development and seizing every opportunity in the market to maintain its leading position in the industry. In the first half of 2020, the Group continued to endeavor to expand its product portfolio, enhance its product innovation and R&D capability, while expanding the distribution network in a proactive manner.

As regards the Group's Infusion Set Business, the Group has been focusing on the continuous improvement of manufacturing materials and function of infusion sets to offer a safer and more reliable infusion treatment solution and mitigate the risk of infusion treatment. Over the years, the Group has maintained its leading position in the domestic advanced infusion sets market in Beijing, Heilongjiang, Jiangsu and Hubei. Meanwhile, the Group's cannula business also recorded a fast growth, driven by the expanding medical device market. As of the Latest Practicable Date, the Group has obtained two, and expects to further apply for five, registration certificates of cannula products in the next twelve months. It is expected that the cannula market, in which the Group is conducting R&D activities, will continue to grow and the Group's market share will continue to increase.

Looking forward, as a leading enterprise in the medical device industry of China, the Group will continue to focus on the development of the advanced infusion set and cannula business while continuing to expand its market penetration and distribution network. Meanwhile, the Group will launch brand-new insulin injection needles and insulin injection pens to provide new insulin injection solutions for diabetes patients. As of the Latest Practicable Date, the Group has obtained one registration certificate for its insulin injection needle and one registration certificate for its insulin injection pen. In addition, as of the Latest Practicable Date, the Group has obtained one registration certificate for the disposable intestinal feeding device which is made from high-end plastic materials free from DEHP, expanding the Group's product lines to enteral feeding devices. Meanwhile, as of the Latest Practicable Date, the Group has obtained one registration certificate for the disposable blood transfusion set with two-layer structure of the tube in which the inner layer is medical-grade polyurethane and the outer layer is made of plastic material free from DEHP. This is the first blood transfusion set with two-layer structure of the tube in China, expanding the Group's product lines to blood transfusion devices. The Group will be committed to expanding its business coverage and maximizing its competitive edge.

As for innovation and R&D aspects, the Group will continue to invest in product innovation and R&D through cooperation with medical specialists, hospitals (especially Class III Grade A hospitals), first-class university research centers and other research institutions. On development of the Group's distribution network, as of the Latest Practicable Date, the Group has a team of experienced and dedicated professional sales and marketing staff to support and consolidate its distribution networks in 31 provinces, municipalities and autonomous regions in China and enhance promotion of products from all business segments.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Immediately after the closing of the Disposals, the Company will cease to hold any interest in CBPO and the results of CBPO will no longer be classified as associate of the Company. Following the Disposals, the Remaining Group will continue to carry on its existing business. The management discussion and analysis of the Remaining Group for each of the three years ended December 31, 2017, 2018 and 2019 is disclosed in the respective annual reports of the Company, and the management discussion and analysis of the Remaining Group for the six months ended June 30, 2020 is disclosed in the relevant interim report of the Company, all of which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.pwmedtech.com).

A. PUBLISHED FINANCIAL INFORMATION OF CBPO OF EACH OF THE THREE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 AND THE SIX MONTHS ENDED JUNE 30, 2020

(1) The following is an extract of the audited financial statements of CBPO for the year ended December 31, 2017, which were prepared in accordance with U.S. GAAP, from the 2017 annual report of CBPO.

CONSOLIDATED BALANCE SHEETS

	Note	**December 31, 2017** *USD*	**December 31, 2016** *USD*
ASSETS			
Current Assets			
Cash and cash equivalents		219,336,848	183,765,533
Time deposits		22,895,200	—
Accounts receivable, net of allowance for doubtful accounts	*3*	77,267,275	33,918,796
Loan receivable — current	*8*	45,912,000	—
Inventories	*5*	209,570,835	156,412,674
Prepayments and other current assets, net of allowance for doubtful accounts	*4*	18,139,453	15,320,913
Total Current Assets		593,121,611	389,417,916
Loan receivable — non current	*8*	—	43,245,000
Property, plant and equipment, net	*6*	166,812,749	132,091,923
Land use rights, net		24,853,163	23,389,384
Equity method investment	*7*	14,903,908	10,614,755
Other non-current assets		9,365,986	6,198,531
Total Assets		809,057,417	604,957,509

	Note	December 31, 2017 USD	December 31, 2016 USD
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable		7,548,909	6,158,601
Income tax payable	11	14,258,544	7,484,366
Other payables and accrued expenses	10	75,827,864	59,798,145
Total Current Liabilities		97,635,317	73,441,112
Deferred income		3,476,877	3,755,648
Non-current income tax payable	11	37,067,138	—
Other liabilities		6,553,088	6,623,926
Total Liabilities		144,732,420	83,820,686
Shareholders' Equity			
Ordinary share:			
par value $0.0001;			
100,000,000 shares authorized;			
29,866,545 and 29,427,609 shares issued at December 31, 2017 and 2016, respectively;			
27,611,841 and 27,172,905 shares outstanding at December 31, 2017 and 2016, respectively		2,987	2,943
Additional paid-in capital	20	140,230,395	105,459,610
Treasury share: 2,254,704 shares at December 31, 2017 and 2016, respectively, at cost	19	(56,425,094)	(56,425,094)
Retained earnings		506,426,436	438,483,401
Accumulated other comprehensive income/(losses)		7,957,304	(25,320,271)
Total equity attributable to China Biologic Products Holdings, Inc.		598,192,028	462,200,589
Noncontrolling interest	20	66,132,969	58,936,234
Total Shareholders' Equity		664,324,997	521,136,823
Commitments and contingencies	16	—	—
Total Liabilities and Shareholders' Equity		809,057,417	604,957,509

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended		
	Note	**December 31, 2017** *USD*	**December 31, 2016** *USD*	**December 31, 2015** *USD*
Sales	*15*	370,406,840	341,169,426	296,457,902
Cost of sales		125,517,021	124,034,448	106,482,626
Gross profit		244,889,819	217,134,978	189,975,276
Operating expenses				
Selling expenses		34,843,935	11,679,242	9,973,449
General and administrative expenses		67,683,667	54,519,122	41,391,520
Research and development expenses		6,503,712	7,021,992	6,024,368
Income from operations		135,858,505	143,914,622	132,585,939
Other income (expenses)				
Equity in income/(loss) of an equity method investee	*7*	3,509,071	2,519,201	(1,311,278)
Interest income		7,623,624	7,815,780	5,551,105
Interest expense		(583,432)	(254,471)	(1,727,335)
Loss from disposal of a subsidiary		—	(75,891)	—
Total other income, net		10,549,263	10,004,619	2,512,492
Income before income tax expense		146,407,768	153,919,241	135,098,431
Income tax expense	*11*	64,171,809	25,125,820	20,992,913
Net income		82,235,959	128,793,421	114,105,518
Less: Net income attributable to noncontrolling interest		14,292,924	24,014,114	25,062,815
Net income attributable to China Biologic Products Holdings, Inc.		67,943,035	104,779,307	89,042,703

	Note	For the Years Ended December 31, 2017 USD	December 31, 2016 USD	December 31, 2015 USD
Earnings per share of ordinary share:				
Basic	17	2.40	3.79	3.40
Diluted		2.38	3.74	3.27
Weighted average shares used in computation:	17			
Basic		27,361,561	26,848,445	25,599,153
Diluted		27,605,623	27,249,144	26,567,366
Net income		82,235,959	128,793,421	114,105,518
Other comprehensive income/ (losses):				
Foreign currency translation adjustment, net of nil income taxes		36,861,394	(31,303,262)	(24,368,360)
Comprehensive income		119,097,353	97,490,159	89,737,158
Less: Comprehensive income attributable to noncontrolling interest		17,876,743	19,026,592	20,698,249
Comprehensive income attributable to China Biologic Products Holdings, Inc.		101,220,610	78,463,567	69,038,909

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary share						Equity attributable to		
	Number of Shares	Par value	Additional paid-in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	China Biologic Products Holdings, Inc.	Noncontrolling interest	Total equity
		USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
Balance as of January 1, 2015	27,865,871	2,787	24,008,281	(76,570,621)	244,661,391	19,985,189	212,087,027	63,174,703	275,261,730
Net income	—	—	—	—	89,042,703	—	89,042,703	25,062,815	114,105,518
Other comprehensive loss	—	—	—	—	—	(20,003,794)	(20,003,794)	(4,364,566)	(24,368,360)
Share-based compensation	—	—	12,114,272	—	—	—	12,114,272	—	12,114,272
Excess tax benefits from stock option exercises	—	—	1,225,941	—	—	—	1,225,941	292,761	1,518,702
Reissuance of treasury stock	—	—	60,438,432	20,145,527	—	—	80,583,959	—	80,583,959
Adjustments in noncontrolling interest resulting from capital injections	—	—	(452,962)	—	—	—	(452,962)	452,962	—
Ordinary share issued in connection with:									
— Exercise of stock options	780,557	78	7,745,900	—	—	—	7,745,978	—	7,745,978
— Vesting of restricted shares	188,625	19	(19)	—	—	—	—	—	—
Balance as of December 31, 2015	28,835,053	2,884	105,079,845	(56,425,094)	333,704,094	(18,605)	382,343,124	84,618,675	466,961,799
Net income	—	—	—	—	104,779,307	—	104,779,307	24,014,114	128,793,421
Other comprehensive loss	—	—	—	—	—	(26,315,740)	(26,315,740)	(4,987,522)	(31,303,262)
Dividend declared to noncontrolling interest shareholder	—	—	—	—	—	—	—	(10,901,312)	(10,901,312)
Share-based compensation	—	—	24,405,511	—	—	—	24,405,511	—	24,405,511
Excess tax benefits from stock option exercises	—	—	2,299,316	—	—	—	2,299,316	314,515	2,613,831
Adjustments in noncontrolling interest resulting from capital injections	—	—	513,397	—	—	—	513,397	(513,397)	—
Capital withdrawal by noncontrolling interest shareholders	—	—	(30,397,196)	—	—	1,014,074	(29,383,122)	(33,608,839)	(62,991,961)
Ordinary share issued in connection with:									
— Exercise of stock options	337,406	34	3,558,762	—	—	—	3,558,796	—	3,558,796
— Vesting of restricted shares	255,150	25	(25)	—	—	—	—	—	—
Balance as of December 31, 2016	29,427,609	2,943	105,459,610	(56,425,094)	438,483,401	(25,320,271)	462,200,589	58,936,234	521,136,823
Net income	—	—	—	—	67,943,035	—	67,943,035	14,292,924	82,235,959
Other comprehensive income	—	—	—	—	—	33,277,575	33,277,575	3,583,819	36,861,394
Dividend declared to noncontrolling interest shareholder	—	—	—	—	—	—	—	(10,680,008)	(10,680,008)
Share-based compensation	—	—	33,903,283	—	—	—	33,903,283	—	33,903,283
Ordinary share issued in connection with:									
— Exercise of stock options	85,242	9	867,537	—	—	—	867,546	—	867,546
— Vesting of restricted shares	353,694	35	(35)	—	—	—	—	—	—
Balance as of December 31, 2017	29,866,545	2,987	140,230,395	(56,425,094)	506,426,436	7,957,304	598,192,028	66,132,969	664,324,997

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended		
	December 31, 2017 *USD*	December 31, 2016 *USD*	December 31, 2015 *USD*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	82,235,959	128,793,421	114,105,518
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	11,691,731	11,962,983	8,179,376
Amortization	1,216,959	775,053	854,364
Loss on disposal of property, plant and equipment	3,228,845	293,098	3,024,830
Allowance for doubtful accounts — accounts receivable, net	23,783	123,239	34,902
Allowance for doubtful accounts — prepayments and other receivables	—	65,341	788
Impairment for other non-current assets	—	1,225,200	—
Write-down of obsolete inventories	—	256,862	76,587
Deferred income tax benefit	(3,252,516)	(3,006,541)	(170,345)
Share-based compensation	33,903,283	24,405,511	12,114,272
Equity in (income)/loss of an equity method investee	(3,509,071)	(2,519,201)	1,311,278
Loss from disposal of a subsidiary	—	75,891	—
Excess tax benefits from share-based compensation arrangements	—	(2,613,831)	(1,518,702)
Change in operating assets and liabilities:			
Accounts receivable	(39,918,939)	(10,971,773)	(7,146,311)
Inventories	(42,078,261)	(40,077,384)	(32,095,328)
Prepayments and other current assets	(1,777,783)	1,946,800	879,165
Accounts payable	977,152	2,966,885	5,348,896
Income tax payable	6,047,808	6,022,145	(1,926,093)
Other payables and accrued expenses	16,821,694	4,221,669	6,734,988
Deferred income	(493,897)	(686,757)	(416,185)
Non-current income tax payable	37,067,138	—	—
Net cash provided by operating activities	102,183,885	123,258,611	109,392,000

	For the Years Ended		
	December 31, 2017 *USD*	**December 31, 2016** *USD*	**December 31, 2015** *USD*
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for time deposits	(22,669,000)	—	—
Payment for property, plant and equipment	(37,504,440)	(49,371,318)	(38,790,998)
Payment for intangible assets and land use rights	(786,691)	(1,635,891)	(13,500,526)
Refund of payments and deposits related to land use right	—	10,297,893	—
Proceeds from disposal of property, plant and equipment and land use rights	64,914	393,019	827,020
Loans lent to a third party	—	(12,332,718)	(40,744,167)
Proceeds from disposal of a subsidiary	—	128,654	—
Receipt of government grants related to property and equipment	—	—	2,452,864
Net cash used in investing activities	(60,895,217)	(52,520,361)	(89,755,807)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from stock option exercised	867,546	3,558,796	7,745,978
Proceeds from short-term bank loans	23,009,280	—	15,770,881
Repayment of short-term bank loans	(23,412,060)	—	(47,201,255)
Repayment of long-term bank loans	—	—	(66,300,000)
Maturity of deposit as security for bank loans	—	37,756,405	63,152,258
Net proceeds from reissuance of treasury stock	—	—	80,583,959
Excess tax benefits from share-based compensation arrangements	—	2,613,831	1,518,702
Dividend paid by subsidiaries to noncontrolling interest shareholders	(18,789,151)	(7,921,952)	—
Dividend to the trial court to be held in escrow as to dispute with Jie’an	—	—	(3,690,814)
Payment to noncontrolling interest shareholders in connection with their capital withdrawal	—	(58,091,018)	—
Net cash (used in)/provided by financing activities	(18,324,385)	(22,083,938)	51,579,709

	For the Years Ended		
	December 31, 2017 *USD*	**December 31, 2016** *USD*	**December 31, 2015** *USD*
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	12,607,032	(9,826,672)	(7,098,233)
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,571,315	38,827,640	64,117,669
Cash and cash equivalents at beginning of year	183,765,533	144,937,893	80,820,224
Cash and cash equivalents at end of year	219,336,848	183,765,533	144,937,893
Supplemental cash flow information			
Cash paid for income taxes	24,691,429	22,210,476	23,348,371
Cash paid for interest expense	252,353	84,664	1,526,807
Noncash investing and financing activities:			
Acquisition of property, plant and equipment included in payables	7,548,964	4,912,937	6,363,392
Loan receivable offset by accounts payable	—	5,848,400	—

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017, 2016 and 2015

NOTE 1 — DESCRIPTION OF BUSINESS AND SIGNIFICANT CONCENTRATIONS AND RISKS

China Biologic Products Holdings, Inc. (''CBP'') and its subsidiaries (collectively, the ''Company''), through its subsidiaries in the People's Republic of China (the ''PRC''), is a biopharmaceutical company that is principally engaged in the research, development, manufacturing and sales of plasma-based pharmaceutical products in the PRC. The PRC subsidiaries own and operate plasma collection stations that purchase and collect plasma from individual donors. The plasma is processed into finished goods after passing through a series of fractionating processes. All of the Company's plasma products are prescription medicines that require government approval before the products are sold to customers. The Company primarily sells its products to hospitals and inoculation centers directly or through distributors in the PRC.

On July 21, 2017, China Biologic Products Holdings, Inc. (the ''Successor'') succeeded to the interests of China Biologic Products, Inc. (the ''Predecessor'') following a redomicile merger pursuant to an agreement and plan of merger dated as of April 28, 2017 (the ''Merger Agreement'') between the Successor and the Predecessor. Pursuant to the Merger Agreement, the Predecessor merged with and into the Successor, with the Successor surviving the merger and each issued and outstanding shares of Predecessor's common stock being converted into the right to receive one ordinary share of the Successor. The consolidated financial statements of the Successor represents the continuation of the financial statements of the Predecessor, reflecting the assets and liabilities, retained earnings and other equity balances of the Predecessor before the domiciliation. The equity structure is restated using the exchange ratio established in the Merger Agreement to reflect the number of shares of the Successor.

Cash Concentration

The Company maintains cash balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for its bank accounts located in the United States or may exceed Hong Kong Deposit Protection Board insured limits for its bank accounts located in Hong Kong or may exceed the insured limits for its bank accounts in China established by China Deposit Insurance Fund Management Institution. Total cash at banks and deposits, including cash and equivalents and time deposits, as of December 31, 2017 and December 31, 2016 amounted to $241,761,593 and $183,078,440, respectively, of which $2,577,139 and $2,744,704 are insured, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts.

Sales Concentration

The Company's two major products are human albumin and human immunoglobulin for intravenous injection (''IVIG''). Human albumin accounted for 35.8%, 39.2% and 37.6% of the total sales for the years ended December 31, 2017, 2016 and 2015, respectively. IVIG accounted for 31.7%, 34.6% and 42.2% of the total sales for the years ended December 31, 2017, 2016 and 2015, respectively. If the market demands for human albumin and IVIG cannot be sustained in the future or the price of human albumin and IVIG decreases, the Company's operating results could be adversely affected.

Substantially all of the Company's customers are located in the PRC. There were no customers that individually comprised 10% or more of sales during the years ended December 31, 2017, 2016 and 2015. No individual customer represented 10% or more of accounts receivables as at December 31, 2017 and 2016. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

Purchase Concentration

There was one supplier, namely, Xinjiang Deyuan Bioengineering Co., Ltd. ("Xinjiang Deyuan") (see Note 8), that comprised 10% or more of the total purchases during the year ended December 31, 2017, 2016 and 2015. Chongqing Sanda Great Exploit Pharmaceutical Co, Ltd. ("Chongqing Sanda") represented more than 10% of accounts payables as at December 31, 2017. Chongqing Sanda and Xinjiang Deyuan represented more than 10% of accounts payables as at December 31, 2016.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), and include the financial statements of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment and intangibles with definite lives, the collectability of accounts receivable and loan receivable, the fair value determinations of stock compensation awards, the realizability of deferred income tax assets and inventories, the recoverability of intangible assets, land use rights, property, plant and equipment and equity method investment, and accruals for income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Foreign Currency Translation

The accompanying consolidated financial statements of the Company are reported in US dollar. The financial position and results of operations of the Company's subsidiaries in the PRC are measured using the Renminbi, which is the local and functional currency of these entities. Assets and liabilities of the subsidiaries are translated at the prevailing exchange rate in effect at each period end. Revenues and expenses are translated at the average rate of exchange during the period. Translation adjustments are included in other comprehensive income/(losses).

Revenue Recognition

Revenue represents the invoiced amount of products sold, net of value added taxes (VAT).

Revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred and the customer takes ownership and assumes risk of loss, the sales price is fixed or determinable and collection of the relevant receivable is probable. The Company mainly sells human albumin and human immunoglobulin to hospitals, inoculation centers and pharmaceutical distributors. For all sales, the Company requires a signed contract or purchase order, which specify pricing, quantity and product specifications. Delivery of the product occurs when the customer receives the product, which is when the risks and rewards of ownership have been transferred. Delivery is evidenced by signed customer acknowledgement. The Company's sales agreements do not provide the customer the right of return, unless the product is defective in which case the Company allows for an exchange of product or return. For the periods presented, defective product returns were inconsequential.

Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices for identical assets or liabilities in active markets accessible to the entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

See Note 14 to the Consolidated Financial Statements.

Cash and Cash Equivalents

Cash consists of cash on hand and demand deposits. The Company considers all highly liquid investments with original maturities of three-month or less at the time of purchase to be cash equivalents. Cash and cash equivalents at December 31, 2017 and 2016 include $135,728,697 and $98,022,000 of certificates of deposit with an initial term of three months or less.

As of December 31, 2017 and 2016, the Company maintained cash and cash equivalents at banks in the following locations:

	December 31, 2017 *USD*	**December 31, 2016** *USD*
PRC, excluding Hong Kong	214,157,592	171,539,309
U.S.	4,708,801	11,539,131
Total	218,866,393	183,078,440

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in cash provided by operating activities in the consolidated statements of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses, the customers' financial condition, the amount of accounts receivables in dispute, the accounts receivables aging and the customers' payment patterns. The Company reviews its allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Cost of work- in-process and finished goods comprise direct materials, direct production costs and an allocation of production overheads based on normal operating capacity. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Adjustments are recorded to write down the carrying amount of any obsolete and excess inventory to its estimated net realizable value based on historical and forecasted demand.

Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment attributable to manufacturing activities is capitalized as part of inventories, and recognized as cost of sales when the inventory is sold. Cost incurred in the construction of property, plant and equipment, including downpayments and progress payments, are initially capitalized as construction-in-progress and transferred into their respective asset categories when the assets are ready for their intended use, at which time depreciation commences.

Depreciation on property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets are as follows:

Buildings	30 years
Machinery and equipment	10 years
Furniture, fixtures, office equipment and vehicles	5–10 years

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized and amortized over the remaining useful life.

Equity Method Investment

Investment in an investee in which the Company has the ability to exercise significant influence, but does not have a controlling interest is accounted for using the equity method. Significant influence is generally presumed to exist when the Company has an ownership interest in the voting stock between 20% and 50%, and other factors, such as representation on the board of directors and participation in policy-making processes, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the Company's share of the investee's results of operations is included in other income (expenses) in the Company's consolidated statements of comprehensive income. Deferred taxes are provided for the difference, if any, between the book and tax basis of the investment. The Company determines the difference between the carrying amount of the investee and the underlying equity in net assets which results in an excess basis in the investment. The excess basis is allocated to the underlying assets and equity method goodwill of the Company's investee. The excess basis allocated to the underlying assets is either amortized or depreciated over the applicable useful lives. The equity method goodwill, which is $1,252,387 and $1,179,637 at December 31, 2017 and 2016, respectively, is not amortized or tested for impairment; instead the equity method investment is tested for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. The Company recognizes a loss if it is determined that other than temporary decline in the value of the investment exists. The process of assessing and determining whether an impairment on a particular equity investment is other than temporary requires significant amount of judgment. To determine whether an impairment is other-than-temporary, management considers whether the Company has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. No impairment loss was recognized by the Company for the years ended December 31, 2017, 2016 and 2015.

Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Grants that compensate research and development expenses are recognized as a reduction to the related research and development expenses. Grants that compensate the Company for the cost of property, plant and equipment and land use rights are recognized as deferred income and are recognized as a reduction of depreciation and amortization during the useful life of the asset.

For the year ended December 31, 2017, the Company received government grants of RMB2,405,210 (approximately $368,093), which have been recognized as a reduction of research and development expenses.

For the year ended December 31, 2016, the Company received government grants of RMB5,056,361 (approximately $728,874), which have been recognized as a reduction of research and development expenses.

For the year ended December 31, 2015, the Company received government grants of RMB15,000,000 (approximately $2,452,864) related to the new manufacturing facilities for factor products in Shandong Taibang, which was recorded as deferred income. These grants are amortized as the related assets are depreciated. The grants amortized amounted to $222,143, $410,369 and $118,751 for the year ended December 31, 2017, 2016 and 2015, respectively. For the year ended December 31, 2015, government grants of RMB7,280,600 (approximately $1,188,907), have been recognized as a reduction of research and development expenses.

For the year ended December 31, 2012, the Company received government grants of RMB18,350,000 (approximately $2,989,215) related to the technical upgrade of the manufacturing facilities in Guizhou Taibang. The grants amortized amounted to $271,754, $276,388 and $297,434 for the years ended December 31, 2017, 2016 and 2015, respectively.

Land Use Rights

Land use rights represent the exclusive right to occupy and use a piece of land in the PRC for a specified contractual term. Land use rights are carried at cost, less accumulated amortization. Amortization is calculated using the straight-line method over the contractual period of the rights ranging from 40 to 50 years.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses for the years ended December 31, 2017, 2016 and 2015 were $6,503,712, $7,021,992 and $6,024,368, respectively. These expenses include the costs of the Company's internal research and development activities.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of comprehensive income in the period that includes the enactment date. A valuation allowance is provided to reduce the amount of deferred income tax assets if it is considered more likely than not that some portion or all of the deferred income tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

Employee Benefit Plans

Pursuant to relevant PRC regulations, the Company is required to make contributions to various defined contribution plans organized by municipal and provincial PRC governments. The contributions are made for each PRC employee at rates ranging from 25% to 43% on a standard salary base as determined by local social security bureau. Contributions to the defined contribution plans are charged to the consolidated statements of comprehensive income when the related service is provided. For the years ended December 31, 2017, 2016 and 2015, the costs of the Company's contributions to the defined contribution plans amounted to US$3,763,276, US$3,258,629, and US$2,981,962, respectively.

The Company has no other obligation for the payment of employee benefits associated with these plans beyond the contributions described above.

Share-based Payment

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the cost over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. For graded vesting awards, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date.

Long-lived Assets

Long-lived assets, including property, plant and equipment, land use rights and purchased intangible asset subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Earnings per Share

Basic earnings per ordinary share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary share outstanding during the year using the two-class method. Under the two-class method, net income is allocated between ordinary share and other participating securities based on their participating rights in undistributed earnings. The Company's nonvested shares were considered participating securities since the holders of these securities participate in dividends on the same basis as ordinary shareholders. Diluted earnings per share is calculated by dividing net income attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary share equivalent, if any, by the weighted average number of ordinary share and dilutive ordinary share equivalent outstanding during the year. Potential dilutive securities are not included in the calculation of diluted earnings per share if the impact is anti-dilutive.

Segment Reporting

The Company has one operating segment, which is the human plasma products segment. Substantially all of the Company's operations and customers are located in the PRC, and therefore, no geographic information is presented.

Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations and tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Disclosure will be made if an unfavorable outcome is determined to be reasonably possible but not probable, or if the amount of loss cannot be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. The original effective date for ASU 2014-09 would have required the Company to adopt beginning in its first quarter of 2017. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606) — Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. The new revenue standard may be applied retrospectively to each prior period presented ("full retrospective method) or retrospectively with the cumulative effect recognized as of the date of adoption ("modified retrospective method"). The Company plans to apply the modified retrospective method to those contracts that are not completed contracts on January 1, 2018 upon adoption of ASU 2014-09. The Company has completed its evaluation by the third quarter of 2017 and concluded that no impact on the retained earnings as of January 1, 2018 and no material impact on its consolidated financial statements and related disclosures as a result of the new adoption of the guidance.

In July 2015, the FASB issued ASU No.2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"), which eliminated previous analysis of measurement of inventory and requires to measure most inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein. The Company adopted ASU 2015-11 on January 1, 2017 and concluded that no impact on its consolidated financial statements as a result of the new adoption of the guidance.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which modified lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and disclosing key information about leasing arrangements. ASU 2016-02 is effective for public companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2016-02 on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which addressed and provided guidance for each of eight specific cash flow issues with the objective of reducing the existing diversity in practice. This standard will be effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has early adopted ASU 2016-15 on its consolidated financial statements since January 1, 2017 and there was no impact as a result of the adoption.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This standard required that companies recognize the income tax consequences of an intra-entity transfer of an asset (other than inventory) when the transfer occurs. Current guidance prohibits companies from recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard will be effective for public companies for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The Company has adopted ASU 2016-16 on its consolidated financial statements and there was no impact as a result of the adoption.

Effective January 1, 2017, on a retrospective basis, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-17, *Balance Sheet Classification of Deferred Taxes (Topic 740).* This update required that deferred income tax assets and liabilities be classified as noncurrent. As a result of adoption of this guidance, the Company reclassified current deferred income tax assets in the amount of $4,625,996, which had been included in prepayments and other current assets, to other noncurrent assets as of December 31, 2016. There was no impact on results of operations or cash flows as a result of the adoption of this guidance.

Effective January 1, 2017, the Company adopted the FASB ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The standard simplified certain aspects of the accounting for share-based payment transactions, including recognition of excess tax benefits and deficiencies, classification of awards and classification in the statement of cash flows. As a result of adoption, the Company elected to adopt the change regarding income taxes on a prospective basis to recognize excess tax benefits and deficiencies from stock-based compensation as a discrete item in income tax expense, which were historically recorded as additional paid-in-capital. In addition, the Company elected to apply the change regarding classification in the statement of cash flows prospectively to record excess tax benefits from stock-based compensation from cash flows from financing activities to cash flows from operating activities. Excess tax benefits for the year ended December 31, 2017 was $621,381 and the adoption of this standard had no material impact on the Company's financial statements.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business.* ASU 2017-01 changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. If substantially all of the fair value is concentrated in a single asset or a group of similar assets, the acquired set is not a business. If this is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Determining whether a set constitutes a business is critical because the accounting for a business combination differs significantly from that of an asset acquisition. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. ASU 2017-01 will be applied prospectively to any transactions occurring within the period of adoption. Early adoption is permitted, including for interim or annual periods in which the financial statements have not been issued or made available for issuance. The Company will adopt ASU 2017-01 from January 1, 2018 for the acquisition of Tianxinfu and management conclude that no impact on the conclusion of it being a business combination (see Note 21 to the consolidated financial statements).

NOTE 3 — ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016 consisted of the following:

	December 31, 2017 *USD*	**December 31, 2016** *USD*
Accounts receivable	77,858,266	34,452,392
Less: Allowance for doubtful accounts	(590,991)	(533,596)
Total	77,267,275	33,918,796

The activity in the allowance for doubtful accounts — accounts receivable for the years ended December 31, 2017, 2016 and 2015 are as follows:

	For the Years Ended		
	December 31, 2017 *USD*	December 31, 2016 *USD*	December 31, 2015 *USD*
Beginning balance	533,596	443,624	433,948
Provisions	23,783	123,239	34,902
Foreign currency translation adjustment	33,612	(33,267)	(25,226)
Ending balance	590,991	533,596	443,624

NOTE 4 — PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2017 mainly represented other receivables of $10,412,739 and prepayments of $4,886,604. Prepayments and other current assets as of December 31, 2016 mainly represented other receivables of $10,117,032 and prepayments of $2,921,069.

The activity in the allowance for doubtful accounts — prepayments and other receivables for the years ended December 31, 2017, 2016 and 2015 are as follows:

	For the Years Ended		
	December 31, 2017 *USD*	December 31, 2016 *USD*	December 31, 2015 *USD*
Beginning balance	4,671,896	4,924,063	5,207,840
Provisions	—	65,341	788
Foreign currency translation adjustment	288,124	(317,508)	(284,565)
Ending balance	4,960,020	4,671,896	4,924,063

NOTE 5 — INVENTORIES

Inventories at December 31, 2017 and 2016 consisted of the following:

	December 31, 2017 *USD*	December 31, 2016 *USD*
Raw materials	107,651,325	80,781,903
Work-in-process	42,202,306	24,994,839
Finished goods	59,717,204	50,635,932
Total	209,570,835	156,412,674

Raw materials mainly comprised of human plasma collected from the Company's plasma collection stations. Work-in-process represented intermediate products in the process of production. Finished goods mainly comprised plasma products. Provisions to write-down the carrying amount of obsolete inventory to its estimated net realizable value amounted to nil, $256,862 and $76,587 for the years ended December 31, 2017, 2016 and 2015, respectively, and were recorded as cost of sales in the consolidated statements of comprehensive income.

NOTE 6 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2017 and 2016 consisted of the following:

	December 31, 2017 *USD*	December 31, 2016 *USD*
Buildings	41,669,081	34,131,032
Machinery and equipment	41,102,242	52,467,764
Furniture, fixtures, office equipment and vehicles	9,980,062	7,843,567
Total property, plant and equipment, gross	92,751,385	94,442,363
Accumulated depreciation	(33,862,836)	(39,315,011)
Total property, plant and equipment, net	58,888,549	55,127,352
Construction in progress	105,226,787	61,825,470
Prepayment for property, plant and equipment	2,697,413	15,139,101
Property, plant and equipment, net	166,812,749	132,091,923

As a result of the planned commencement of operation of the new facility, the Company disposed certain machinery and equipment in the old facility of Shandong Taibang and incurred a disposal loss of $3,228,845 for the year ended December 31, 2017. Loss on disposal of property, plant and equipment for the years ended December 31, 2016 and 2015 was 293,098 and 3,024,830, respectively.

Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was $11,691,731, $11,962,983 and $8,179,376, respectively. No interest expenses were capitalized into construction in progress for the years ended December 31, 2017, 2016 and 2015.

NOTE 7 — EQUITY METHOD INVESTMENT

The Company's equity method investment as of December 31, 2017 and 2016 represented 35% equity interest investment in Xi'an Huitian Blood Products Co., Ltd. ("Huitian").

In October 2008, Shandong Taibang entered into an equity purchase agreement with one of the equity owners of Huitian ("Seller") to acquire 35% equity interest in Huitian.

NOTE 8 — LOAN RECEIVABLE

In August 2015, the Company entered into a cooperation agreement with Xinjiang Deyuan and the controlling shareholder of Xinjiang Deyuan. Pursuant to the agreement, Guizhou Taibang agreed to provide Xinjiang Deyuan with an interest-bearing loan at an interest rate of 6% per annum with an aggregate principal amount of RMB300,000,000 (approximately $45,912,000). The loan is due July 31, 2018 and secured by a pledge of Deyuan Shareholder's 58.02% equity interest in Xinjiang Deyuan. Interest will be paid on the 20th day of the last month of each quarter.

Interest income of $2,514,936 was recognized and received by Guizhou Taibang for the year ended December 31, 2017. $2,661,700 was recognized and $1,985,767 was received in cash by Guizhou Taibang and $675,933 was offset by accounts payable for the purchase of plasma from Xinjiang Deyuan for the year ended December 31, 2016. Interest income of $496,170 was accrued and received by Guizhou Taibang for the year ended December 31, 2015.

NOTE 9 — SHORT-TERM BANK LOANS

In March 2017, the Company obtained a one-year unsecured loan of RMB60,000,000 (approximately $8,715,000) from Bank of China (Taishan Branch) at an interest rate of 4.5675% per annum. The loan is due on March 21, 2018 and interest will be paid on the 21th day of each month. In May 2017, the Company repaid the loan before maturity date.

In April 2017, the Company obtained a one-year unsecured loan of RMB98,000,000 (approximately $14,465,780) from China Everbright Bank at an interest rate of 4.35% per annum. The loan is due on March 31, 2018 and interest will be paid on the 20th day of each month. In July 2017, the Company repaid the loan before maturity date.

NOTE 10 — OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses at December 31, 2017 and 2016 consisted of the following:

	December 31, 2017	**December 31, 2016**
	USD	*USD*
Payables to a potential investor[1]	8,679,073	7,941,013
Salaries and bonuses payable	19,770,025	16,740,846
Accruals for sales promotion fee	19,346,659	4,391,160
Dividends payable to noncontrolling interest[2]	—	7,952,467
Payables for construction work	9,135,810	5,364,441
Other tax payables	2,891,714	1,918,248
Advance from customers	2,425,975	3,976,832
Deposits received	6,662,705	4,640,244
Others	6,915,903	6,872,894
Total	75,827,864	59,798,145

(1) The payables to a potential investor comprises deposits received from a potential investor in the amount of $5,227,846 and $4,924,164 as of December 31, 2017 and 2016, respectively, and related interest plus penalty on these deposits totaling $3,451,227 and $3,016,849 as of December 31, 2017 and 2016, respectively.

(2) In March and July 2017, Shandong Taibang declared a cash dividend distribution amounting RMB220,000,000 (approximately $31,955,000) and RMB200,000,000 (approximately $29,994,000), of which RMB37,928,000 (approximately $5,509,042) and RMB34,480,000 (approximately $5,170,966) represented the dividends payable to a noncontrolling interest shareholder. In August 2017, all dividends payable balance was fully paid to the noncontrolling interest shareholder.

NOTE 11 — INCOME TAX

The Company and each of its subsidiaries file separate income tax returns.

The United States of America

China Biologic Products Inc. was originally incorporated on December 20, 1989 under the laws of the State of Texas as Shepherd Food Equipment, Inc. On November 20, 2000, Shepherd Food Equipment, Inc. changed its corporate name to Shepherd Food Equipment, Inc. Acquisition Corp., or Shepherd. Shepherd is the survivor of a May 28, 2003 merger between Shepherd and GRC Holdings, Inc., or GRC, a Texas corporation. In the merger, the surviving corporation adopted the articles of incorporation and bylaws of GRC and changed its corporate name to GRC Holdings, Inc. On January 10, 2007, a plan of conversion became effective pursuant to which GRC was converted into a Delaware corporation and changed its name to China Biologic Products, Inc.

With the completion of domiciliation to the Cayman Islands on July 21, 2017, China Biologic Products Inc. was merged with and into China Biologic Products Holdings, Inc., with China Biologic Products Holdings, Inc. as the surviving company.

China Biologic Products Holdings, Inc. continued to be a U.S. corporation for U.S. federal income tax purposes and is subject to U.S. federal corporate income tax at gradual rates of up to 35% for year 2017.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted. The Tax Act has made significant changes to the U.S. Internal Revenue Code, including the taxation of U.S. corporations, by, among other things, limiting interest deductions, reducing the U.S. corporate income tax rate, disallowing certain deductions that had previously been allowed, altering the expensing of capital expenditures, adopting elements of a territorial tax system, assessing a repatriation tax or "toll-charge" on undistributed earnings and profits of U.S.-owned foreign corporations, and introducing certain anti-base erosion provisions. The Company recorded a charge of approximately $40.3 million for the repatriation tax on deemed repatriation to the United States of accumulated earnings. The charge for deemed repatriation will be payable by the Company over an eight-year period commencing April 2018.

$40.3 million repatriation tax, as a provisional amount, represents the Company's reasonable estimate for income tax effects of the Tax Act, to the extent that the Company's accounting for certain income tax effects is incomplete as additional information is needed to be prepared, analyzed and computations.

The actual impact of the U.S. Tax Reform on the Company may differ from management's estimates, and management may update the provisional amount upon obtaining, preparing or analyzing additional information, based on its review of future regulations or guidance issued by the U.S. Department of the Treasury, and specific actions the Company may take in the future.

Cayman Islands

Under the current laws of Cayman Islands, China Biologic Products Holdings, Inc. is not subject to tax on its income or capital gains.

British Virgin Islands

Taibang Biological is incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands (BVI), Taibang Biological is not subject to tax on income or capital gains. In addition, upon payments of dividends by Taibang Biological, no British Virgin Islands withholding tax is imposed.

Hong Kong

Taibang Holdings (Hong Kong) Limited ("Taibang Holdings", formerly known as "Logic Holdings (Hong Kong) Limited") is incorporated in Hong Kong and is subject to Hong Kong's profits tax rate of 16.5% for the years ended December 31, 2017, 2016 and 2015. Taibang Holdings did not earn any income that was derived in Hong Kong for the years ended December 31, 2017, 2016 and 2015. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

PRC

The PRC's statutory income tax rate is 25%. The Company's PRC subsidiaries are subject to income tax at 25% unless otherwise specified.

In October 2014, Shandong Taibang obtained a notice from the Shandong provincial government that granted it the High and New Technology Enterprise certificate. This certificate entitled Shandong Taibang to enjoy a preferential income tax rate of 15% for a period of three years from 2014 to 2016. In October 2017, Shandong Taibang renewed its high and new technology enterprise qualification, which entitled it to enjoy a preferential income tax rate of 15.0% for a period of three years from 2017 to 2019.

According to CaiShui [2011] No. 58 dated July 27, 2011, Guizhou Taibang, being a qualified enterprise located in the western region of the PRC, enjoys a preferential income tax rate of 15% effective retroactively from January 1, 2011 to December 31, 2020.

The components of earnings (losses) before income tax expense by jurisdictions are as follows:

	For the Years Ended		
	December 31, 2017	**December 31, 2016**	**December 31, 2015**
	USD	*USD*	*USD*
PRC, excluding Hong Kong	171,787,763	170,830,607	147,580,488
U.S.	(28,866,395)	(19,408,283)	(11,711,102)
BVI	3,488,680	2,498,629	(1,336,183)
Hong Kong	(2,280)	(1,712)	565,228
Total	146,407,768	153,919,241	135,098,431

Income tax expense for the years ended December 31, 2017, 2016 and 2015 represents current income tax expense and deferred income tax benefit:

	For the Years Ended		
	December 31, 2017	**December 31, 2016**	**December 31, 2015**
	USD	*USD*	*USD*
Current income tax expense	67,424,325	28,132,361	21,163,258
Deferred income tax benefit	(3,252,516)	(3,006,541)	(170,345)
Total income tax expense	64,171,809	25,125,820	20,992,913

The effective income tax rate based on income tax expense and earnings before income taxes reported in the consolidated statements of comprehensive income differs from the PRC statutory income tax rate of 25% due to the following:

	For the Years Ended		
	December 31, 2017	December 31, 2016	December 31, 2015
	(in percentage to earnings before income tax expense)		
PRC statutory income tax rate	25.0%	25.0%	25.0%
Non-deductible expenses:			
Share-based compensation	3.7%	—	1.3%
Others	1.1%	1.6%	0.1%
Tax rate differential	(0.9)%	(3.6)%	—
Effect of PRC preferential tax rate	(11.1)%	(10.9)%	(10.5)%
Bonus deduction on research and development expenses	(1.5)%	(1.5)%	(1.5)%
Change in valuation allowance	(0.6)%	5.3%	1.3%
Repatriation tax	29.4%	—	—
Tax effect of equity method investment	(0.6)%	0.4%	(0.2)%
Excess tax benefits from stock option exercises	(0.7)%	—	—
Effective income tax rate	43.8%	16.3%	15.5%

The PRC tax rate has been used because the majority of the Company's consolidated pre-tax earnings arise in the PRC.

As of December 31, 2017 and 2016, significant temporary differences between the tax basis and financial statement basis of assets and liabilities that gave rise to deferred taxes were principally related to the following:

	December 31, 2017	December 31, 2016
	USD	*USD*
Deferred income tax assets arising from:		
— Accrued expenses	6,558,359	3,954,375
— Deferred income	258,255	275,687
— Property, Plant and Equipment	1,210,006	257,550
— Other non-current assets	146,918	138,384
— Tax loss carryforwards	5,031,657	27,783,051
Gross deferred income tax assets	13,205,195	32,409,047
Less: valuation allowance	(5,031,657)	(26,629,179)
Net deferred income tax assets	8,173,538	5,779,868

	December 31, 2017 USD	December 31, 2016 USD
Deferred income tax liabilities arising from:		
— Intangible assets	(148,467)	(235,217)
— Equity method investment	—	(1,153,872)
— Dividend withholding tax	(6,085,290)	(6,085,290)
Deferred income tax liabilities	(6,233,757)	(7,474,379)
Classification on consolidated balance sheets:		
Deferred income tax assets, included in other non-current assets	8,173,538	4,625,996
Deferred income tax liabilities, included in other liabilities	(6,233,757)	(6,320,507)

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilized. Management considers the scheduled reversal of deferred income tax liabilities (including the impact of available carryforwards periods), projected future taxable income, and tax planning strategies in making this assessment.

The deferred income tax assets of $5,031,657 for tax loss carry forwards as of December 31, 2017 represented tax loss carryforwards of certain PRC subsidiaries. For PRC income tax purposes, certain of the Company's PRC subsidiaries had tax loss carryforwards of $20,126,629, of which $5,019,226, $5,048,268, $4,416,172, $4,878,108 and $764,855 would expire by 2018, 2019, 2020, 2021 and 2022, respectively, if unused. In view of their cumulative losses positions, management determined it is more likely than not that deferred income tax assets of these PRC subsidiaries will not be realized, and therefore full valuation allowances of $5,031,657 and $6,139,906 were provided as of December 31, 2017 and 2016, respectively.

For United States federal income tax purposes, CBP had nil tax loss carry forwards as of December 31, 2017. All tax loss brought forwards of CBP has been utilized by December 31, 2017 as a result of the repatriation tax on deemed repatriation of accumulated earnings to the United States.

The following table presents the movement of the valuation allowance for deferred income tax assets for the years ended December 31, 2017, 2016 and 2015:

	For the Years Ended		
	December 31, 2017 USD	December 31, 2016 USD	December 31, 2015 USD
Beginning balance	26,629,179	8,160,611	6,661,139
Addition (deduction) during the year	(21,927,117)	18,676,456	1,703,771
Foreign currency translation adjustment	329,595	(207,888)	(204,299)
Ending balance	5,031,657	26,629,179	8,160,611

According to the prevailing PRC income tax law and relevant regulations, dividends relating to earnings accumulated beginning on January 1, 2008 that are received by non-PRC-resident enterprises from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or similar arrangement. Dividends relating to undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax. Further, dividends received by the Company from its overseas subsidiaries are subject to the U.S. federal income tax at 34%, less any qualified foreign tax credits. Based on the dividend policy the Company has provided the deferred income tax liabilities of $7,351,023 on undistributed earnings of $74 million, approximately 50% of Shandong Taibang's total undistributed earnings at December 31, 2014. During the year ended December 31, 2016, the deferred income tax liabilities of $1,265,733 was reversed following a sum of RMB82,760,000 (approximately $11,929,854) dividend distribution to Taibang Holdings (Hong Kong) Limited by Taibang Biotech (Shandong) Co., Ltd. in 2016, which was generated from distributed earnings of Shandong Taibang. Due to the Company's plan and intention of reinvesting its earnings in its PRC business, the Company has not provided for the related deferred income tax liabilities on the remaining undistributed earnings of the PRC subsidiaries totaling $550.0 million as of December 31, 2017.

As of January 1, 2015 and for each of the years ended December 31, 2015, 2016 and 2017, the Company and its subsidiaries did not have any unrecognized tax benefits, and therefore no interest or penalties related to unrecognized tax benefits were accrued. The Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12 months.

The Company and each of its PRC subsidiaries file income tax returns in the United States and the PRC, respectively. The Company is subject to U.S. federal income tax examination by tax authorities for tax years beginning in 2007. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances where the underpayment of taxes is more than RMB100,000 (approximately $15,304). In the case of transfer pricing issues, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. The PRC tax returns for the Company's PRC subsidiaries are open to examination by the PRC tax authorities for the tax years beginning in 2012.

NOTE 12 — OPTIONS AND NONVESTED SHARES

Options

Effective May 9, 2008, the Board of Directors adopted the China Biologic 2008 Equity Incentive Plan, ("the 2008 Plan"). The 2008 Plan provides for grants of stock options, stock appreciation rights, performance units, restricted stock, restricted stock units and performance shares. A total of five million shares of the Company's ordinary share may be issued pursuant to the 2008 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than the fair market value per share on the grant date, except that, in the case of an incentive stock option granted to a person who holds more than 10% of the total combined voting power of all classes of the Company's stock or any of its subsidiaries, the exercise price will be no less than 110% of the fair market value per share on the grant date. No awards may be granted under the 2008 Plan after May 9, 2018, except that any award granted before then may extend beyond that date. All the options to be granted will have 10-year terms.

For the year ended December 31, 2017, 2016 and 2015, no stock options to purchase ordinary share were granted to any directors or employees.

A summary of stock options activity for the years ended December 31, 2017, 2016 and 2015 is as follows:

	Number of Options	Weighted Average Exercise Price *USD*	Weighted Average Remaining Contractual Term in years	Aggregate Intrinsic Value *USD*
Outstanding as of January 1, 2015	1,432,454	10.16	6.53	81,753,119
Granted	—	—		
Exercised	(780,557)	9.92		(68,089,712)
Forfeited and expired	—	—		
Outstanding as of December 31, 2015	651,897	10.44	5.24	86,064,461
Granted	—			
Exercised	(337,406)	10.55		(35,180,367)
Forfeited and expired	—	—		
Outstanding as of December 31, 2016	314,491	10.32	3.84	30,568,083
Granted	—	—		
Exercised	(85,242)	10.18		(7,868,258)
Forfeited and expired	—	—		
Outstanding as of December 31, 2017	229,249	10.37	2.61	15,168,276
Vested as of December 31, 2017	229,249	10.37	2.61	15,168,276
Exercisable as of December 31, 2017	229,249	10.37	2.61	15,168,276

For the years ended December 31, 2017, 2016 and 2015, the Company recorded stock compensation expense of nil, \$649,203 and \$1,117,994, respectively, in general and administrative expenses.

Nonvested shares

For the years ended December 31, 2017, 2016 and 2015, nonvested shares were granted to certain directors and employees (collectively, the "Participant"). Pursuant to the nonvested share grant agreements between the Company and the Participant, the Participant will have all the rights of a shareholder with respect to the nonvested shares. The nonvested shares granted to directors generally vest in one or two years. The nonvested shares granted to employees generally vest in four years.

A summary of nonvested shares activity for the year ended December 31, 2017, 2016 and 2015 is as follow:

	Number of nonvested shares	Grant date weighted average fair value
		USD
Outstanding as of January 1, 2015	552,125	37.78
Granted	313,100	120.62
Vested	(188,625)	34.78
Forfeited	(7,500)	28.80
Outstanding as of December 31, 2015	669,100	77.49
Granted	511,200	119.75
Vested	(255,150)	66.04
Forfeited	(12,500)	66.74
Outstanding as of December 31, 2016	912,650	104.51
Granted	356,150	89.94
Vested	(353,694)	91.32
Forfeited	(1,080)	98.20
Outstanding as of December 31, 2017	914,026	103.95

For the years ended December 31, 2017, 2016 and 2015, the Company recorded stock compensation expense of $33,903,283, $23,756,308 and $10,996,278 in general and administrative expenses, respectively.

As of December 31, 2017, approximately $79,691,474 of stock compensation expense with respect to nonvested shares is to be recognized over weighted average period of approximately 2.65 years.

NOTE 13 — STATUTORY RESERVES

The Company's PRC subsidiaries are required to allocate at least 10% of its after tax profits as determined under generally accepted accounting principles in the PRC to its statutory surplus reserve until the reserve balance reaches 50% of respective registered capital. The accumulated balance of the statutory reserve as of December 31, 2017 and 2016 was $34,513,788 and $34,508,737, respectively.

NOTE 14 — FAIR VALUE MEASUREMENTS

Management used the following methods and assumptions to estimate the fair value of financial instruments at the relevant balance sheet dates:

Short-term financial instruments (including cash and cash equivalents, time deposits, accounts receivable, other receivables, loan receivable-current, accounts payable, and other payables and accrued expenses) — The carrying amounts of the short-term financial instruments approximate their fair values because of the short maturity of these instruments.

NOTE 15 — SALES

The Company's sales by product categories for the years ended December 31, 2017, 2016 and 2015 are as follows:

	For the Years Ended		
	December 31, 2017 *USD*	**December 31, 2016** *USD*	**December 31, 2015** *USD*
Human Albumin	132,498,791	133,712,663	111,422,258
Immunoglobulin products:			
Human Immunoglobulin for Intravenous Injection	117,511,797	117,891,410	125,136,104
Other Immunoglobulin products	50,147,328	40,105,561	22,518,554
Placenta Polypeptide	49,199,288	32,178,681	27,194,800
Others	21,049,636	17,281,111	10,186,186
Total	370,406,840	341,169,426	296,457,902

NOTE 16 — COMMITMENTS AND CONTINGENCIES

Commitments

As of December 31, 2017, commitments outstanding for operating lease approximated $1.3 million.

As of December 31, 2017, commitments outstanding for the purchase of property, plant and equipment approximated $12.9 million.

As of December 31, 2017, commitments outstanding for the purchase of plasma in 2018 approximated $8.7 million.

NOTE 17 — EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated:

	For the Years Ended		
	December 31, 2017 *USD*	**December 31, 2016** *USD*	**December 31, 2015** *USD*
Net income attributable to China Biologic Products Holdings, Inc.	67,943,035	104,779,307	89,042,703
Earnings allocated to participating nonvested shares	(2,188,633)	(2,987,429)	(2,070,762)
Net income used in basic and diluted earnings per ordinary share	65,754,402	101,791,878	86,971,941
Weighted average shares used in computing basic earnings per ordinary share	27,361,561	26,848,445	25,599,153
Diluted effect of stock option	244,062	400,699	968,213
Weighted average shares used in computing diluted earnings per ordinary share	27,605,623	27,249,144	26,567,366
Basic earnings per ordinary share	2.40	3.79	3.40
Diluted earnings per ordinary share	2.38	3.74	3.27

During the year ended December 31, 2017, 2016 and 2015, no potential ordinary shares outstanding were excluded from the calculation of diluted earnings per ordinary share.

NOTE 18 — CHINA BIOLOGIC PRODUCTS HOLDINGS, INC. (PARENT COMPANY)

The following represents condensed unconsolidated financial information of the Parent Company only:

Condensed Balance Sheets:

	December 31, 2017 *USD*	**December 31, 2016** *USD*
Cash	4,708,801	11,539,131
Time deposits	3,000,000	—
Prepayments and prepaid expenses	87,070	85,879
Total Current Assets	7,795,871	11,625,010
Property, plant and equipment, net	145	211
Investment in and amounts due from subsidiaries	634,245,590	454,309,702
Total Assets	642,041,606	465,934,923
Other payables and accrued expenses	3,559,211	3,734,334
Income tax payable — current	3,223,229	—
Total Current Liabilities	6,782,440	3,734,334
Income tax payable — non current	37,067,138	—
Total Liabilities	43,849,578	3,734,334
Total Shareholders' Equity	598,192,028	462,200,589
Total Liabilities and Shareholders' Equity	642,041,606	465,934,923

Condensed Statements of Comprehensive Income:

	For the Years Ended		
	December 31, 2017 *USD*	**December 31, 2016** *USD*	**December 31, 2015** *USD*
Equity in income of subsidiaries	137,099,797	124,187,590	100,753,805
General and administrative expenses	(28,879,890)	(19,408,283)	(10,693,991)
Other income (expenses)	13,495	—	(1,017,111)
Earnings before income tax expense	108,233,402	104,779,307	89,042,703
Income tax expense	40,290,367	—	—
Net Income	67,943,035	104,779,307	89,042,703

Condensed Statements of Cash Flows:

	For the Years Ended		
	December 31, 2017	**December 31, 2016**	**December 31, 2015**
	USD	*USD*	*USD*
Net cash used in operating activities	(3,830,330)	(2,400,188)	(3,904,038)
Net cash used in investing activities	(3,000,000)	—	—
Net cash provided by financing activities	—	—	15,192,269
Net (decrease) increase in cash	(6,830,330)	(2,400,188)	11,288,231
Cash at beginning of year	11,539,131	13,939,319	2,651,088
Cash at end of year	4,708,801	11,539,131	13,939,319

NOTE 19 — FOLLOW-ON OFFERING OF COMMON STOCK

On June 15, 2015, the Company completed a follow-on offering of 3,450,000 shares of common stock at a price of $105.00 per share, less the underwriting discounts and commissions and offering expenses. In this June 2015 follow-on offering, the Company sold 805,000 shares (including 105,000 shares sold pursuant to the exercise by the underwriters of their option to purchase additional shares from the Company) and certain selling holders sold 2,645,000 shares (including 345,000 shares sold pursuant to the exercise by the underwriters of their option to purchase additional shares from such selling stockholders). The Company raised net proceeds of approximately $80.6 million from this offering, after deducting the underwriting discounts and commissions and offering expenses payable by the Company. The Company did not receive any proceeds from the sale of the shares by the selling stockholders.

NOTE 20 — CAPITAL WITHDRAWAL BY TWO FORMER NONCONTROLLING INTEREST SHAREHOLDERS OF GUIZHOU TAIBANG

On October 26, 2016, Guizhou Taibang completed the requisite legal and administrative procedures, through which two former minority shareholders, holding a combined 15.3% equity interest in Guizhou Taibang, withdrew their respective capital contributions in Guizhou Taibang for an aggregate consideration of RMB415,000,000 (approximately $59,822,250) pursuant to an agreement dated July 31, 2016.

NOTE 21 — SUBSEQUENT EVENT

On October 12, 2017, the Company entered into a definitive agreement with PW Medtech Group Limited (“PWM”), a company listed on the Stock Exchange of Hong Kong Limited, to acquire 80% equity interest of Tianxinfu (Beijing) Medical Appliance Co., Ltd. (“Tianxinfu”) in exchange for 5,521,000 ordinary shares of CBP. Tianxinfu is a medical device company primarily engaging in the manufacturing and sale of regenerative medical biomaterial products, of which 80% equity interest was owned by PWM and 20% by a third party before this acquisition. The Company completed the acquisition on January 1, 2018.

The transaction will be accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. The initial accounting for this business combination is incomplete as the Company is in the process of determining the fair value of assets acquired and liabilities assumed at the acquisition date.

(2) The following is an extract of the audited financial statements of CBPO for the year ended December 31, 2018, which were prepared in accordance with U.S. GAAP, from the 2018 annual report of CBPO.

CONSOLIDATED BALANCE SHEETS

	Note	**December 31, 2018** *USD*	**December 31, 2017** *USD*
ASSETS			
Current Assets			
Cash and cash equivalents		338,880,559	219,336,848
Time deposits		537,478,040	22,895,200
Short term investments		76,048,594	—
Accounts receivable, net of allowance for doubtful accounts	*4*	125,115,842	77,267,275
Loan receivable — current	*10*	—	45,912,000
Inventories	*6*	243,295,512	209,570,835
Prepayments and other current assets, net of allowance for doubtful accounts	*5*	36,369,275	18,139,453
Total Current Assets		1,357,187,822	593,121,611
Property, plant and equipment, net	*7*	178,327,361	166,812,749
Intangible assets, net	*8*	53,258,871	536,338
Land use rights, net		32,204,342	24,853,163
Equity method investment		15,428,028	14,903,908
Prepayments for investments in equity securities	*9*	10,812,893	—
Loan receivable — non current	*10*	39,942,591	—
Goodwill	*3*	313,588,803	—
Other non-current assets		9,227,970	8,829,648
Total Assets		2,009,978,681	809,057,417

	Note	December 31, 2018 USD	December 31, 2017 USD
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable		11,404,642	7,548,909
Income tax payable	12	11,010,347	14,258,544
Other payables and accrued expenses	11	99,933,793	75,827,864
Total Current Liabilities		122,348,782	97,635,317
Deferred income		2,824,212	3,476,877
Non-current income tax payable	12	26,899,038	37,067,138
Other liabilities		13,203,485	6,553,088
Total Liabilities		165,275,517	144,732,420
Shareholders' Equity			
Ordinary share: par value $0.0001; 100,000,000 shares authorized; 41,616,320 and 29,866,545 shares issued at December 31, 2018 and 2017, respectively; 39,361,616 and 27,611,841 shares outstanding at December 31, 2018 and 2017, respectively		4,162	2,987
Additional paid-in capital		1,189,698,494	140,230,395
Treasury share: 2,254,704 shares at December 31, 2018 and 2017, respectively, at cost		(56,425,094)	(56,425,094)
Retained earnings		634,482,738	506,426,436
Accumulated other comprehensive (losses)/income		(45,710,701)	7,957,304
Total equity attributable to China Biologic Products Holdings, Inc.		1,722,049,599	598,192,028
Noncontrolling interest		122,653,565	66,132,969
Total Shareholders' Equity		1,844,703,164	664,324,997
Commitments and contingencies	17	—	—
Total Liabilities and Shareholders' Equity		2,009,978,681	809,057,417

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended		
	Note	**December 31, 2018** *USD*	**December 31, 2017** *USD*	**December 31, 2016** *USD*
Sales	*16*	466,877,569	370,406,840	341,169,426
Cost of sales		146,787,236	125,517,021	124,034,448
Gross profit		320,090,333	244,889,819	217,134,978
Operating expenses				
Selling expenses		95,575,830	34,843,935	11,679,242
General and administrative expenses		68,817,340	67,683,667	54,519,122
Research and development expenses		9,524,412	6,503,712	7,021,992
Income from operations		146,172,751	135,858,505	143,914,622
Other income (expenses)				
Equity in income of an equity method investee		2,368,995	3,509,071	2,519,201
Interest income		13,706,750	7,623,624	7,815,780
Interest expense		(338,136)	(583,432)	(254,471)
Loss from disposal of a subsidiary		—	—	(75,891)
Other income, net		4,092,935	—	—
Total other income, net		19,830,544	10,549,263	10,004,619
Income before income tax expense		166,003,295	146,407,768	153,919,241
Income tax expense	*12*	18,036,180	64,171,809	25,125,820
Net income		147,967,115	82,235,959	128,793,421
Less: Net income attributable to noncontrolling interest		19,910,813	14,292,924	24,014,114
Net income attributable to China Biologic Products Holdings, Inc.		128,056,302	67,943,035	104,779,307

		For the Years Ended		
	Note	**December 31, 2018**	**December 31, 2017**	**December 31, 2016**
		USD	*USD*	*USD*
Earnings per share of ordinary share:	*18*			
Basic		3.54	2.40	3.79
Diluted		3.53	2.38	3.74
Weighted average shares used in computation:	*18*			
Basic		35,304,294	27,361,561	26,848,445
Diluted		35,432,959	27,605,623	27,249,144
Net income		147,967,115	82,235,959	128,793,421
Other comprehensive (losses)/ income:				
Foreign currency translation adjustment, net of nil income taxes		(60,783,829)	36,861,394	(31,303,262)
Comprehensive income		87,183,286	119,097,353	97,490,159
Less: Comprehensive income attributable to noncontrolling interest		12,794,989	17,876,743	19,026,592
Comprehensive income attributable to China Biologic Products Holdings, Inc.		74,388,297	101,220,610	78,463,567

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary share								
	Number of Shares	Par value	Additional paid-in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Equity attributable to China Biologic Products Holdings, Inc.	Noncontrolling interest	Total equity
		USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
Balance as of January 1, 2016	28,835,053	2,884	105,079,845	(56,425,094)	333,704,094	(18,605)	382,343,124	84,618,675	466,961,799
Net income	—	—	—	—	104,779,307	—	104,779,307	24,014,114	128,793,421
Other comprehensive loss	—	—	—	—	—	(26,315,740)	(26,315,740)	(4,987,522)	(31,303,262)
Dividend declared to a noncontrolling interest shareholder	—	—	—	—	—	—	—	(10,901,312)	(10,901,312)
Share-based compensation	—	—	24,405,511	—	—	—	24,405,511	—	24,405,511
Excess tax benefits from stock option exercises	—	—	2,299,316	—	—	—	2,299,316	314,515	2,613,831
Adjustments in noncontrolling interest resulting from capital injections	—	—	513,397	—	—	—	513,397	(513,397)	—
Capital withdrawal by noncontrolling interest shareholders	—	—	(30,397,196)	—	—	1,014,074	(29,383,122)	(33,608,839)	(62,991,961)
Ordinary share issued in connection with:									
— Exercise of stock options	337,406	34	3,558,762	—	—	—	3,558,796	—	3,558,796
— Vesting of restricted shares	255,150	25	(25)	—	—	—	—	—	—
Balance as of December 31, 2016	29,427,609	2,943	105,459,610	(56,425,094)	438,483,401	(25,320,271)	462,200,589	58,936,234	521,136,823
Net income	—	—	—	—	67,943,035	—	67,943,035	14,292,924	82,235,959
Other comprehensive income	—	—	—	—	—	33,277,575	33,277,575	3,583,819	36,861,394
Dividend declared to a noncontrolling interest shareholder	—	—	—	—	—	—	—	(10,680,008)	(10,680,008)
Share-based compensation	—	—	33,903,283	—	—	—	33,903,283	—	33,903,283
Ordinary share issued in connection with:									
— Exercise of stock options	85,242	9	867,537	—	—	—	867,546	—	867,546
— Vesting of restricted shares	353,694	35	(35)	—	—	—	—	—	—
Balance as of December 31, 2017	29,866,545	2,987	140,230,395	(56,425,094)	506,426,436	7,957,304	598,192,028	66,132,969	664,324,997
Net income	—	—	—	—	128,056,302	—	128,056,302	19,910,813	147,967,115
Other comprehensive loss	—	—	—	—	—	(53,668,005)	(53,668,005)	(7,115,824)	(60,783,829)
Dividend declared to a noncontrolling interest shareholder	—	—	—	—	—	—	—	(10,145,395)	(10,145,395)
Share-based compensation	—	—	23,130,570	—	—	—	23,130,570	—	23,130,570
Issuance of ordinary shares in private placement	5,850,000	585	590,264,415	—	—	—	590,265,000	—	590,265,000
Issuance of ordinary shares to PWM in exchange for 80% equity interest of TianXinFu *(Note 3)*	5,521,000	552	434,888,618	—	—	—	434,889,170	53,871,002	488,760,172
Ordinary share issued in connection with:									
— Exercise of stock options	121,945	12	1,184,522	—	—	—	1,184,534	—	1,184,534
— Vesting of restricted shares	256,830	26	(26)	—	—	—	—	—	—
Balance as of December 31, 2018	41,616,320	4,162	1,189,698,494	(56,425,094)	634,482,738	(45,710,701)	1,722,049,599	122,653,565	1,844,703,164

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended		
	December 31, 2018 *USD*	**December 31, 2017** *USD*	**December 31, 2016** *USD*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	147,967,115	82,235,959	128,793,421
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,809,041	11,691,731	11,962,983
Amortization	9,416,310	1,216,959	775,053
Loss on disposal of property, plant and equipment	1,001,000	3,228,845	293,098
Allowance for doubtful accounts — accounts receivable, net	655,148	23,783	123,239
Allowance for doubtful accounts — prepayments and other receivables	96,267	—	65,341
Impairment for other non-current assets	2,671,528	—	1,225,200
Write-down of obsolete inventories	—	—	256,862
Deferred income tax benefit	(4,159,890)	(3,252,516)	(3,006,541)
Share-based compensation	23,130,570	33,903,283	24,405,511
Equity in income of an equity method investee	(2,368,995)	(3,509,071)	(2,519,201)
Loss from disposal of a subsidiary	—	—	75,891
Excess tax benefits from share-based compensation arrangements	—	—	(2,613,831)
Change in operating assets and liabilities, net of effect of acquisition of TianXinFu:			
Accounts receivable	(53,879,876)	(39,918,939)	(10,971,773)
Inventories	(42,594,485)	(42,078,261)	(40,077,384)
Prepayments and other current assets	(9,387,783)	(1,777,783)	1,946,800
Accounts payable	8,140,553	977,152	2,966,885
Income tax payable	(3,575,544)	6,047,808	6,022,145
Other payables and accrued expenses	23,693,979	16,821,694	4,221,669
Deferred income	(504,886)	(493,897)	(686,757)
Non-current income tax payable	(10,168,100)	37,067,138	—
Net cash provided by operating activities	103,941,952	102,183,885	123,258,611

	For the Years Ended		
	December 31, 2018 *USD*	**December 31, 2017** *USD*	**December 31, 2016** *USD*
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash acquired from acquisition of TianXinFu	97,702,278	—	—
Purchase of time deposit	(1,871,773,012)	(22,669,000)	—
Proceeds from maturity of time deposit	1,349,949,821	—	—
Purchase of short term investments	(855,074,467)	—	—
Proceeds from maturity of short term investments	767,654,706	—	—
Payment for property, plant and equipment	(31,743,146)	(37,504,440)	(49,371,318)
Payment for intangible assets and land use rights	(4,973,244)	(786,691)	(1,635,891)
Refund of payments and deposits related to land use right	—	—	10,297,893
Proceeds from disposal of property, plant and equipment and land use rights	124,560	64,914	393,019
Loans lent to a third party	—	—	(12,332,718)
Proceeds from disposal of a subsidiary	—	—	128,654
Prepayments for investments in equity securities	(10,812,893)	—	—
Net cash used in investing activities	(558,945,397)	(60,895,217)	(52,520,361)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from stock option exercised	1,184,534	867,546	3,558,796
Proceeds from short-term bank loans	—	23,009,280	—
Repayment of short-term bank loans	—	(23,412,060)	—
Maturity of deposit as security for bank loans	—	—	37,756,405
Excess tax benefits from share-based compensation arrangements	—	—	2,613,831
Dividend paid by subsidiaries to noncontrolling interest shareholders	(10,145,395)	(18,789,151)	(7,921,952)
Proceeds from issuance of ordinary shares	590,265,000	—	—
Prepayment to an investment bank for potential share repurchase	(10,000,000)	—	—
Payment to noncontrolling interest shareholders in connection with their capital withdrawal	—	—	(58,091,018)
Net cash provided by/(used in) financing activities	571,304,139	(18,324,385)	(22,083,938)

	For the Years Ended		
	December 31, 2018 *USD*	December 31, 2017 *USD*	December 31, 2016 *USD*
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,243,017	12,607,032	(9,826,672)
NET INCREASE IN CASH AND CASH EQUIVALENTS	119,543,711	35,571,315	38,827,640
Cash and cash equivalents at beginning of year	219,336,848	183,765,533	144,937,893
Cash and cash equivalents at end of year	338,880,559	219,336,848	183,765,533
Supplemental cash flow information			
Cash paid for income taxes	35,449,581	24,691,429	22,210,476
Cash paid for interest expense	—	252,353	84,664
Noncash investing and financing activities:			
Acquisition of property, plant and equipment included in payables	3,687,742	7,548,964	4,912,937
Set-off loan receivable against accounts payable	3,784,297	—	5,848,400
Fair value of noncash assets acquired and liabilities assumed in acquisition of TianXinFu	337,186,892	—	—

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018, 2017 and 2016

NOTE 1 — DESCRIPTION OF BUSINESS AND SIGNIFICANT CONCENTRATIONS AND RISKS

China Biologic Products Holdings, Inc. (''CBP'') and its subsidiaries (collectively, the ''Company''), are principally engaged in the research, development, manufacturing and sales of biopharmaceutical products in the People's Republic of China (the ''PRC'').

Biopharmaceutical products include plasma-based products and placenta polypeptide. All of the biopharmaceutical products are prescription medicines administered in the form of injections. The principal plasma products are human albumin and human immunoglobulin for intravenous injection (''IVIG''). The PRC subsidiaries own and operate plasma collection stations that purchase and collect plasma from individual donors. The plasma is processed into finished goods after passing through a series of fractionating processes.

On January 1, 2018, the Company acquired 80% equity interest in TianXinFu (Beijing) Medical Appliance Co., Ltd. (''TianXinFu''), a medical device company primarily engaging in manufacturing and sale of regenerative medical biomaterial products. Biomaterial products include artificial dura mater and spinal dura mater products, with extracted collagen as the main raw material, which are applied in brain and spinal surgeries.

All of the Company's plasma products require government approval before the products are sold to customers. The Company primarily sells its products to hospitals and inoculation centers directly or through distributors in the PRC.

On July 21, 2017, China Biologic Products Holdings, Inc. (the ''Successor'') succeeded to the interests of China Biologic Products, Inc. (the ''Predecessor'') following a redomicile merger pursuant to an agreement and plan of merger dated as of April 28, 2017 (the ''Merger Agreement'') between the Successor and the Predecessor. Pursuant to the Merger Agreement, the Predecessor merged with and into the Successor, with the Successor surviving the merger and each issued and outstanding shares of Predecessor's common stock converted into the right to receive one ordinary share of the Successor. The consolidated financial statements of the Successor represents the continuation of the financial statements of the Predecessor, reflecting the assets and liabilities, retained earnings and other equity balances of the Predecessor before the domiciliation. The equity structure is restated using the exchange ratio established in the Merger Agreement to reflect the number of shares of the Successor.

Cash Concentration

The Company maintains cash balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for its bank accounts located in the United States or may exceed Hong Kong Deposit Protection Board insured limits for its bank accounts located in Hong Kong or may exceed the insured limits for its bank accounts in China established by the People's Bank of China. Total cash at banks and deposits, including cash and equivalents, time deposits and short term investments as of December 31, 2018 and December 31, 2017 amounted to $951,336,787 and $241,761,593, respectively, of which $3,227,530 and $2,577,139 are insured, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts.

Sales Concentration

The Company's two major biopharmaceutical products are human albumin and IVIG. Human albumin accounted for 32.0%, 35.8% and 39.2% of the total sales for the years ended December 31, 2018, 2017 and 2016, respectively. IVIG accounted for 24.3%, 31.7% and 34.6% of the total sales for the years ended December 31, 2018, 2017 and 2016, respectively. The Company expects sales from these two products to represent a substantial portion of its sales in the future. If the market demands for human albumin and IVIG cannot be sustained in the future or the price of human albumin and IVIG decreases, the Company's operating results could be adversely affected.

Substantially all of the Company's customers are located in the PRC. There were no customers that individually comprised 10% or more of sales during the years ended December 31, 2018, 2017 and 2016. No individual customer represented 10% or more of accounts receivables as at December 31, 2018 and 2017. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

Purchase Concentration

There was one supplier, namely, Xinjiang Deyuan Bioengineering Co., Ltd. ("Xinjiang Deyuan") (see Note 10), that comprised 10% or more of the total purchases during the years ended December 31, 2018, 2017 and 2016. No individual supplier represented 10% or more of accounts payables as at December 31, 2018. Chongqing Sanda Great Exploit Pharmaceutical Co, Ltd. represented more than 10% of accounts payables as at December 31, 2017.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), and include the financial statements of the Company and its subsidiaries in which CBP, directly or indirectly, has a controlling financial interest. All intercompany balances and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment and intangibles with definite lives, the collectability of accounts receivable and loan receivable, the fair value determinations of stock compensation awards and short term investments, identifiable assets acquired and liabilities assumed and noncontrolling interest in business combinations, the realizability of deferred income tax assets and inventories, the recoverability of intangible assets, land use rights, property, plant and equipment, goodwill and equity method investment, and accruals for income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Foreign Currency Translation

The accompanying consolidated financial statements of the Company are reported in US dollar. The financial position and results of operations of the Company's subsidiaries in the PRC are measured using the Renminbi, which is the local and functional currency of these entities. Assets and liabilities of the subsidiaries are translated at the prevailing exchange rate in effect at each period end. Revenues and expenses are translated at the average rate of exchange during the period. Translation adjustments are included in other comprehensive income/(losses).

Revenue Recognition

During the years ended December 31, 2017 and 2016, revenue was recognized when persuasive evidence of an arrangement existed, delivery of the product has occurred and the customer took ownership and assumed risk of loss, the sales price was fixed or determinable and collection of the relevant receivable was probable. For all sales, the Company required a signed contract or purchase order, which specified pricing, quantity and product specifications. Delivery of the product occurred when the customer received the product, which was when the risks and rewards of ownership have been transferred. Delivery was evidenced by signed customer acknowledgement. The Company's sales agreements did not provide the customer the right of return, unless the product was defective in which case the Company allowed for an exchange of product or return. For the periods presented, defective product returns were inconsequential. Revenue represents the invoiced amount of products sold, net of value added taxes (VAT).

Effective January 1, 2018, the Company adopted the new guidance of ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"), which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. Topic 606 requires the Company to recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company sells biopharmaceutical and biomaterial products to hospitals, inoculation centers and distributors. For all sales, the Company requires a signed contract or purchase order, which specifies pricing, quantity and product specifications. The Company recognizes revenue upon the satisfaction of its performance obligation, which is to transfer the control of the promised products to customers in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those products, excluding amounts collected on behalf of third parties (e.g. value-added taxes). The transfer of control of the products is satisfied at a point in time, which is the delivery of the products to customers' premises and evidenced by signed customer acknowledgement. The selling price, which is specified in the signed contracts or purchase orders, is fixed. The Company has unconditional right to receive full payment of the sales price, upon the delivery of the products to customers and the signing of the customer acknowledgement. Customers are required to pay under the customary payment terms, which is generally less than six months. Advances from customers (a contract liability) is recognized when the Company has an unconditional right to a payment before it transfer the products to customers, and are included in other payables and accrued expenses.

Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices for identical assets or liabilities in active markets accessible to the entity at the measurement date.

- Level 2 Inputs: Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

See Note 15 to the Consolidated Financial Statements.

Cash and Cash Equivalents

Cash consists of cash on hand and demand deposits. The Company considers all highly liquid investments with original maturities of three-month or less at the time of purchase to be cash equivalents.

As of December 31, 2018 and 2017, the Company maintained cash and cash equivalents at banks in the following locations:

	December 31, 2018 *USD*	December 31, 2017 *USD*
PRC, excluding Hong Kong	158,739,504	214,157,592
Hong Kong	3,936,815	—
U.S.	175,133,834	4,708,801
Total	337,810,153	218,866,393

Short term investments

The Company's short term investments represent bank financial products with original maturity of less than one year when purchased. The Company elects to apply the fair value option for the short term investments to more accurately reflect market and economic events in its earnings. Gains or losses from the short term investments is recorded in other income, net in the statements of comprehensive income.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable is recognized when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in cash provided by operating activities in the consolidated statements of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses, the customers' financial condition, the amount of accounts receivables in dispute, the accounts receivables aging and the customers' payment patterns. The Company reviews its allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Cost of work-in-process and finished goods comprise direct materials, direct production costs and an allocation of production overheads based on normal operating capacity. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Adjustments are recorded to write down the carrying amount of any obsolete and excess inventory to its estimated net realizable value based on historical and forecasted demand.

Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment attributable to manufacturing activities is capitalized as part of inventories, and recognized as cost of sales when the inventory is sold. Cost incurred in the construction of property, plant and equipment, including downpayments and progress payments, are initially capitalized as construction-in-progress and transferred into their respective asset categories when the assets are ready for their intended use, at which time depreciation commences.

Depreciation on property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets are as follows:

Buildings	20–45 years
Machinery and equipment	10 years
Furniture, fixtures, office equipment and vehicles	5–10 years

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized and amortized over the remaining useful life.

Business Combination

The Company accounts for its business combination using the acquisition method in accordance with ASC Topic 805 ("ASC 805"): *Business Combinations*. An acquirer is required to recognize the identifiable acquired assets, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. The excess of (i) the total purchase price and fair value of the noncontrolling interests over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill.

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but is tested for impairment at the reporting unit level on at least an annual basis and more frequently when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. When performing an evaluation of goodwill impairment, the Company has elected the option to first assess qualitative factors, such as significant events and changes to expectations and activities that may have occurred since the last impairment evaluation, to determine if it is more likely than not that goodwill might be impaired. If as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the quantitative fair value test is performed to determine if the fair value of the reporting unit exceeds its carrying value.

The Company has adopted Accounting Standards Update ("ASU") 2017-04, *Simplifying the Test for Goodwill Impairment*, for annual goodwill impairment tests from January 1, 2018. This guidance removes Step 2 of the goodwill impairment test, which required the estimation of an implied fair value of goodwill in the same manner as the calculation of goodwill upon a business combination.

No impairment of goodwill was recognized for any of the years presented.

Equity Method Investment

Investment in an investee in which the Company has the ability to exercise significant influence, but does not have a controlling interest is accounted for using the equity method. Significant influence is generally presumed to exist when the Company has an ownership interest in the voting stock between 20% and 50%, and other factors, such as representation on the board of directors and participation in policy-making processes, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the Company's share of the investee's results of operations is included in other income (expenses) in the Company's consolidated statements of comprehensive income. Deferred taxes are provided for the difference, if any, between the book and tax basis of the investment. The Company determines the difference between the carrying amount of the investee and the underlying equity in net assets which results in an excess basis in the investment. The excess basis is allocated to the underlying assets and equity method goodwill of the Company's investee. The excess basis allocated to the underlying assets is either amortized or depreciated over the applicable useful lives. The equity method goodwill, which is $1,192,320 and $1,252,387 at December 31, 2018 and 2017, respectively, is not amortized or tested for impairment; instead the equity method investment is tested for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. The Company recognizes a loss if it is determined that other than temporary decline in the value of the investment exists. The process of assessing and determining whether an impairment on a particular equity investment is other than temporary requires significant amount of judgment. To determine whether an impairment is other-than-temporary, management considers whether the Company has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. No impairment loss was recognized by the Company for the years ended December 31, 2018, 2017 and 2016.

The Company's equity method investment as of December 31, 2018 and 2017 represented 35% equity interest investment in Xi'an Huitian Blood Products Co., Ltd. ("Huitian"), which the Company acquired in October 2008.

Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Grants that compensate research and development expenses are recognized as a reduction to the related research and development expenses. Grants that compensate the Company for the cost of property, plant and equipment and land use rights are recognized as deferred income and are recognized as a reduction of depreciation and amortization during the useful life of the asset.

For the years ended December 31, 2018, 2017 and 2016, the Company received government grants of RMB4,837,300 (approximately $704,795), RMB2,405,210 (approximately $368,093) and RMB5,056,361 (approximately $728,874), respectively, which have been recognized as a reduction of research and development expenses.

For the year ended December 31, 2012, the Company received government grants of RMB18,350,000 (approximately $2,989,215) related to the technical upgrade of the manufacturing facilities in Guizhou Taibang, which was recorded as deferred income. The grants amortized amounted to $277,801, $271,754 and $276,388 for the years ended December 31, 2018, 2017 and 2016, respectively.

For the year ended December 31, 2015, the Company received government grants of RMB15,000,000 (approximately $2,452,864) related to the new manufacturing facilities for factor products in Shandong Taibang, which was recorded as deferred income. These grants are amortized as the related assets are depreciated. The grants amortized amounted to $227,085, $222,143 and $410,369 for the year ended December 31, 2018, 2017 and 2016, respectively.

Intangible Assets

Intangible assets with finite useful life are amortized on a straight-line basis, as the pattern of economic benefit of intangible assets cannot be reliably determined, over the estimated useful lives of the respective assets. The Company's amortizable intangible assets consist of permits and license, customer relationships, technical know-how and others with the following estimated useful lives.

Permits and license	5–10 years
Customer relationships	7 years
Technical know-how	3–12 years
Others	5–10 years

The estimated useful life is the period over which the intangible asset is expected to contribute directly or indirectly to the future cash flows of the Company.

The in-process research and development assets acquired in a business combination are accounted for as an indefinite-lived intangible asset until completion or abandonment of the associated research and development activities.

Land Use Rights

Land use rights represent the exclusive right to occupy and use a piece of land in the PRC for a specified contractual term. Land use rights are carried at cost, less accumulated amortization. Amortization is calculated using the straight-line method over the contractual period of the rights ranging from 40 to 50 years.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses for the years ended December 31, 2018, 2017 and 2016 were $9,524,412, $6,503,712 and $7,021,992, respectively. These expenses include the costs of the Company's internal research and development activities.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of comprehensive income in the period that includes the enactment date. A valuation allowance is provided to reduce the amount of deferred income tax assets if it is considered more likely than not that some portion or all of the deferred income tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

Employee Benefit Plans

Pursuant to relevant PRC regulations, the Company is required to make contributions to various defined contribution plans organized by municipal and provincial PRC governments. The contributions are made for each PRC employee at rates ranging from 25% to 43% on a standard salary base as determined by local social security bureau. Contributions to the defined contribution plans are charged to the consolidated statements of comprehensive income when the related service is provided. For the years ended December 31, 2018, 2017 and 2016, the costs of the Company's contributions to the defined contribution plans amounted to $5,581,682, $3,763,276, and $3,258,629, respectively.

The Company has no other obligation for the payment of employee benefits associated with these plans beyond the contributions described above.

Share-based Payment

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the cost over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. For graded vesting awards, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date.

Impairment of Long-lived Assets

Long-lived assets, including property, plant and equipment, land use rights and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Earnings per Share

Basic earnings per ordinary share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary share outstanding during the year using the two-class method. Under the two-class method, net income is allocated between ordinary share and other participating securities based on their participating rights in undistributed earnings. The Company's nonvested shares were considered participating securities since the holders of these securities participate in dividends on the same basis as ordinary shareholders. Diluted earnings per share is calculated by dividing net income attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary share equivalent, if any, by the weighted average number of ordinary share and dilutive ordinary share equivalent outstanding during the year. Potential dilutive securities are not included in the calculation of diluted earnings per share if the impact is anti-dilutive.

Segment Reporting

The Company uses the management approach in determining reportable operating segments. The management approach consider the internal reporting used by the chief operating decision maker for making operating decisions about the allocation of resources of the segment and the assessment of its performance in determining the Company's reportable operating segments. As a result of the business combination completed on January 1, 2018 as described in Note 3, the Company classified the reportable operating segments for the year ended December 31, 2018 into (i) biopharmaceutical products and (ii) biomaterial products. Biopharmaceutical products currently include plasma products and placenta polypeptide. The Company had one operating segment, biopharmaceutical products segment, which included plasma-based products and placenta polypeptide for the years of 2017 and 2016.

Substantially all of the Company's operations and customers are located in the PRC, and therefore, no geographic information is presented.

Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations and tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Disclosure will be made if an unfavorable outcome is determined to be reasonably possible but not probable, or if the amount of loss cannot be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. The original effective date for ASU 2014-09 would have required the Company to adopt beginning in its first quarter of 2017. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606) — Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. The new revenue standard may be applied retrospectively to each prior period presented ("full retrospective method) or retrospectively with the cumulative effect recognized as of the date of adoption ("modified retrospective method"). The Company applied the modified retrospective method to those contracts that are not completed contracts on January 1, 2018 upon adoption of ASU 2014-09. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue recognition, while prior period amounts are not adjusted and continue to be reported in accordance with ASC 605. The adoption of new revenue standard did not impact retained earnings as of January 1, 2018. There are no changes between the reported results under Topic 606 and those have been reported under legacy US GAAP.

In July 2015, the FASB issued ASU No.2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"), which eliminated previous analysis of measurement of inventory and requires to measure most inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein. The Company adopted ASU 2015-11 on January 1, 2017 and concluded that no impact on its consolidated financial statements as a result of the new adoption of the guidance.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements* ("ASU 2018-11"). The guidance modified lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and disclosing key information about leasing arrangements. The guidance is effective for public companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company will adopt the guidance for financial statements periods beginning January 1, 2019 using the modified retrospective transition method and initially apply the transition provisions at January 1, 2019, which allows the Company to continue to apply the legacy guidance in ASC 840 for periods prior to 2019. This adoption approach will result in a balance sheet presentation that will not be comparable to the prior period in the first year of adoption. The adoption of this ASU will result in the recognition of right-of-use assets and lease liabilities for operating lease of approximately $2.0 million and $1.9 million, respectively.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which addressed and provided guidance for each of eight specific cash flow issues with the objective of reducing the existing diversity in practice. This standard will be effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has early adopted ASU 2016-15 on its consolidated financial statements since January 1, 2017 and there was no impact as a result of the adoption.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). This standard required that companies recognize the income tax consequences of an intra-entity transfer of an asset (other than inventory) when the transfer occurs. Current guidance prohibits companies from recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard will be effective for public companies for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The Company has adopted ASU 2016-16 on its consolidated financial statements in 2017 and there was no impact as a result of the adoption.

Effective January 1, 2017, on a retrospective basis, the Company adopted FASB ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes (Topic 740).* This update required that deferred income tax assets and liabilities be classified as noncurrent. As a result of adoption of this guidance, the Company reclassified current deferred income tax assets in the amount of $4,625,996, which had been included in prepayments and other current assets, to other noncurrent assets as of December 31, 2016. There was no impact on results of operations or cash flows as a result of the adoption of this guidance.

Effective January 1, 2017, the Company adopted FASB ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The standard simplified certain aspects of the accounting for share-based payment transactions, including recognition of excess tax benefits and deficiencies, classification of awards and classification in the statement of cash flows. As a result of adoption, the Company elected to adopt the change regarding income taxes on a prospective basis to recognize excess tax benefits and deficiencies from stock-based compensation as a discrete item in income tax expense, which were historically recorded as additional paid-in-capital. In addition, the Company elected to apply the change regarding classification in the statement of cash flows prospectively to record excess tax benefits from stock-based compensation from cash flows from financing activities to cash flows from operating activities. Excess tax benefits for the year ended December 31, 2017 was $621,381 and the adoption of this standard had no material impact on the Company's financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business* ("ASU 2017-01"), which changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. If substantially all of the fair value is concentrated in a single asset or a group of similar assets, the acquired set is not a business. If this is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Determining whether a set constitutes a business is critical because the accounting for a business combination differs significantly from that of an asset acquisition. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. ASU 2017-01 will be applied prospectively to any transactions occurring within the period of adoption. Early adoption is permitted, including for interim or annual periods in which the financial statements have not been issued or made available for issuance. The Company has adopted ASU 2017-01 from January 1, 2018 for the acquisition of TianXinFu (see Note 3).

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 of the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. As a result of ASU 2017-04, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and then recognize an impairment charge, as necessary, for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for fiscal years and interim periods within those years beginning after December 15, 2019, and early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company has early adopted ASU 2017-04 from January 1, 2018.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13)* ("ASU 2018-13"). ASU 2018-13 modifies certain disclosure requirements on fair value measurements, including (i) clarifying narrative disclosure regarding measurement uncertainty from the use of unobservable inputs, if those inputs reasonably could have been different as of the reporting date, (ii) adding certain quantitative disclosures, including (a) changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (b) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and (iii) removing certain fair value measurement disclosure requirements, including (a) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (b) the policy for timing of transfers between levels of the fair value hierarchy and (c) the valuation processes for Level 3 fair value measurements. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Company is currently evaluating the effect of the disclosure requirements of ASU 2018-13 will have on its consolidated financial statements and does not expect the impact to have a material effect.

NOTE 3 — BUSINESS COMBINATION

On October 12, 2017, the Company entered into a definitive agreement with PW Medtech Group Limited ("PWM"), a company listed on the Stock Exchange of Hong Kong Limited, to acquire 80% equity interest of TianXinFu (Beijing) Medical Appliance Co., Ltd. ("TianXinFu") in exchange for 5,521,000 ordinary shares of CBP. TianXinFu is a medical device company primarily engaging in the manufacturing and sale of regenerative medical biomaterial products, of which 80% equity interest was owned by PWM and 20% by a third party before this acquisition.

The Company completed the acquisition on January 1, 2018.

The transaction was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. The results of TianXinFu's operations have been included in the Company's consolidated financial statements since January 2, 2018. For the year ended December 31, 2018, total sales and net income for TianXinFu which have been included in the Company's consolidated financial statements were $44.7 million and $16.4 million, respectively.

The following table presents the amounts recognized for assets acquired and liabilities assumed for TianXinFu as of the acquisition date. The noncontrolling interest represents the fair value of the 20% equity interest not held by the Company:

	As of January 01, 2018
	USD
Cash and cash equivalents	97,702,278
Accounts receivable	312,832
Inventories	2,745,771
Other current assets	283,824
Property, plant and equipment	6,522,447
Land use rights	4,135,141
Intangible assets	63,725,856
Deferred income tax assets	480,334
Current liabilities	(6,129,418)
Deferred income tax liabilities	(10,382,902)
Fair value of noncontrolling interest	(53,871,002)
Goodwill	329,364,009
Total purchase consideration	434,889,170

The intangible assets consist of customer relationship, technical know-how and in-process research and development assets. The fair values of the customer relationship of $54,956,664 and technical know-how of $7,514,256 are amortized over 7 years and 3–12 years, respectively on a straight line basis. The fair value of in-process research and development assets of $1,254,937 are indefinite-lived until the completion or abandonment of the associated research and development activities.

The estimated fair value of the noncontrolling interest in TianXinFu was determined by an independent valuer by using discount cash flow model.

The goodwill resulting from the business combination primarily attributed to the synergies and economic scale anticipated to be achieved from combining the operations of the Company and TianXinFu, and the assigned assembled workforce. None of the goodwill is expected to be deductible for income tax purpose.

As of the acquisition date, the goodwill acquired in the business combination was assigned to the biomaterial products segment of $182 million and to the biopharmaceutical products segment of $147 million. The exchange difference during the period for goodwill is $15,775,206.

Unaudited Pro Forma Financial Information

The following unaudited pro forma consolidated financial information for the year ended December 31, 2017 are presented as if the acquisition had been consummated on January 1, 2017 after giving effect to purchase accounting adjustments. These pro forma results have been prepared for comparative purpose only and do not purport to be indicative of what operating results would have been had the acquisition actually taken place on the date indicated and may not be indicative of future operating results.

Unaudited pro forma consolidated statements of comprehensive income for the year ended December 31, 2017:

	December 31, 2017
	USD
Sales	412,248,989
Net income	100,749,486

NOTE 4 — ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2018 and 2017 consisted of the following:

	December 31, 2018	**December 31, 2017**
	USD	*USD*
Accounts receivable	126,352,173	77,858,266
Less: Allowance for doubtful accounts	(1,236,331)	(590,991)
Total	125,115,842	77,267,275

The activity in the allowance for doubtful accounts — accounts receivable for the years ended December 31, 2018, 2017 and 2016 are as follows:

	For the Years Ended		
	December 31, 2018	**December 31, 2017**	**December 31, 2016**
	USD	*USD*	*USD*
Beginning balance	590,991	533,596	443,624
Provisions	655,148	23,783	123,239
Foreign currency translation adjustment	(9,808)	33,612	(33,267)
Ending balance	1,236,331	590,991	533,596

NOTE 5 — PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2018 mainly represented other receivables of $15,897,405, prepayment to an investment bank for a share repurchase program of $10,000,000 and other prepayments of $9,081,680. On November 1, 2018, the Company announced a share repurchase program, which was approved by the Board of Directors on October 30, 2018. Under the share repurchase program, CBP may repurchase up to US$100 million worth of shares over 6 months following the date of approval.

Prepayments and other current assets as of December 31, 2017 mainly represented other receivables of $10,412,739 and prepayments of $4,886,604.

The activity in the allowance for doubtful accounts -prepayments and other receivables for the years ended December 31, 2018, 2017 and 2016 are as follows:

	For the Years Ended		
	December 31, 2018	December 31, 2017	December 31, 2016
	USD	*USD*	*USD*
Beginning balance	4,960,020	4,671,896	4,924,063
Provisions	96,267	—	65,341
Foreign currency translation adjustment	(273,194)	288,124	(317,508)
Ending balance	4,783,093	4,960,020	4,671,896

NOTE 6 — INVENTORIES

Inventories at December 31, 2018 and 2017 consisted of the following:

	December 31, 2018	December 31, 2017
	USD	*USD*
Raw materials	124,408,741	107,651,325
Work-in-process	57,457,153	42,202,306
Finished goods	61,429,618	59,717,204
Total	243,295,512	209,570,835

Raw materials mainly comprised of human plasma collected from the Company's plasma collection stations. Work-in-process represented intermediate products in the process of production. Finished goods mainly comprised of plasma products. Provisions to write-down the carrying amount of obsolete inventory to its estimated net realizable value amounted to nil, nil and $256,862 for the years ended December 31, 2018, 2017 and 2016, respectively, and were recorded as cost of sales in the consolidated statements of comprehensive income.

NOTE 7 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2018 and 2017 consisted of the following:

	December 31, 2018 *USD*	December 31, 2017 *USD*
Buildings	86,923,161	41,669,081
Machinery and equipment	111,797,936	41,102,242
Furniture, fixtures, office equipment and vehicles	11,670,963	9,980,062
Construction in progress	7,713,523	105,226,787
Total property, plant and equipment, gross	218,105,583	197,978,172
Accumulated depreciation	(42,447,406)	(33,862,836)
Impairment of property, plant and equipment	(2,060,844)	—
Total property, plant and equipment, net	173,597,333	164,115,336
Prepayment for property, plant and equipment	4,730,028	2,697,413
Property, plant and equipment, net	178,327,361	166,812,749

As a result of the planned commencement of operation of the new facility, the Company disposed certain machinery and equipment in the old facility of Shandong Taibang and incurred a disposal loss of $1,001,000 and $3,228,845 for the years ended December 31, 2018 and 2017. Loss on disposal of property, plant and equipment for the year ended December 31, 2016 was $293,098.

Depreciation expense for the years ended December 31, 2018, 2017 and 2016 was $13,809,041, $11,691,731 and $11,962,983, respectively. No interest expenses were capitalized into construction in progress for the years ended December 31, 2018, 2017 and 2016.

NOTE 8 — INTANGIBLE ASSETS

Intangible assets at December 31, 2018 and 2017 consisted of the following:

	December 31, 2018 *USD*	December 31, 2017 *USD*
Permits and license	4,579,081	4,809,764
Customer relationship	52,320,870	—
Technical know-how	7,153,870	—
In-process research and development assets	1,194,740	—
Others	1,041,652	542,997
Total intangible assets	66,290,213	5,352,761
Accumulated amortization	(13,031,342)	(4,816,423)
Total intangible assets, net	53,258,871	536,338

Amortization expense for the years ended December 31, 2018, 2017 and 2016 was $8,742,607, $497,344 and $570,288, respectively.

The estimated annual amortization expense for intangible assets in each of the next five years is as follows:

For the Years Ended December 31,	Amount
	USD
2019	8,115,855
2020	8,108,251
2021	8,107,674
2022	8,103,936
2023	8,040,120
Total	40,475,836

NOTE 9 — RELATED PARTY TRANSACTIONS

Private Placement

On August 24, 2018, the Company entered into (i) a share purchase agreement with Beachhead Holdings Limited ("Centurium") and Double Double Holdings Limited ("DD"), which are affiliated with two directors of the Company, Mr. David Hui Li and Mr. Joseph Chow (ii) a share purchase agreement with PWM, the largest shareholder of the Company with a director representative, Ms. Yue'e Zhang (iii) share purchase agreements with two third party investors, for the issuance and sale of 3,050,000, 800,000 and 2,000,000 ordinary shares of CBP at a per share purchase price of $100.9, respectively, to raise aggregate gross proceeds of approximately $590 million. The transaction was approved by a special committee formed by the board of directors of the Company, consisting of two independent directors. On the same date, CBP issued 1,800,000 ordinary shares to Centurium and 2,000,000 ordinary shares to two third party investors, pursuant to their respective share purchase agreements. On September 4, 2018, DD assigned its rights and obligations under the share purchase agreement to Centurium and CBP issued 1,250,000 additional ordinary shares to Centurium thereafter. On September 21, 2018, CBP issued 800,000 ordinary shares to PWM.

Prepayments for Investments in Equity Securities

On November 28, 2018, the Company entered into a share transfer agreement with Smart Step Investments Limited ("Smart Step"), the then largest shareholder of Beijing Taijie Weiye Technology Co., Ltd. ("TJWY Medical"), pursuant to which the Company purchased approximately 11.55% equity interests of TJWY Medical from Smart Step in a cash consideration of $10,812,893. Pursuant to the share transfer agreement, the Company has the right to request Smart Step to redeem full or part of the equity interests in TJWY transferred at the original purchase price plus 6% compound interest rate per annum. Such right can be exercised by the Company within 6 months from the third anniversary of the closing date of the transaction.

The Company paid the 100% cash consideration on December 21, 2018. The transaction was completed on January 23, 2019.

TJWY Medical is a manufacturer of interventional products. The ultimate beneficial owner of Smart Step is the mother of Ms. Yue'e Zhang, a director of the Company.

NOTE 10 — LOAN RECEIVABLE

In August 2015, the Company entered into a cooperation agreement with Xinjiang Deyuan and the controlling shareholder of Xinjiang Deyuan ("Deyuan Shareholder"). Pursuant to the agreement, (i) Xinjiang Deyuan agreed to sell to Guizhou Taibang no less than 500 tonnes of source plasma in batches over the next three years, before July 31, 2018, and (ii) Guizhou Taibang agreed to provide Xinjiang Deyuan with an interest-bearing loan at an interest rate of 6% per annum with an aggregate principal amount of RMB300,000,000 (approximately $43,710,000). The loan was due July 31, 2018 and secured by a pledge of Deyuan Shareholder's 58.02% equity interest in Xinjiang Deyuan.

In August 2018, the Company extended this cooperation agreement with Xinjiang Deyuan and Deyuan Shareholder for another 3 years to purchase at least an additional 500 tonnes of source plasma and to extend the due date of the loan to July 31, 2021.The loan is secured by a pledge of Deyuan Shareholder's 58.02% equity interest in Xinjiang Deyuan. $3,784,297 of the loan principal was set off against the equivalent amount in accounts payable for purchase of plasma from Xinjiang Deyuan for the year ended December 31, 2018.

Interest income of $2,904,886, $2,514,936 and $2,661,700 were recognized and $695,757, $2,514,936 and $1,985,767 were received in cash by Guizhou Taibang and $2,062,426,nil and $675,933 were set off against the equivalent amounts in accounts payable for the purchase of plasma from Xinjiang Deyuan for the year ended December 31, 2018, 2017 and 2016, respectively.

NOTE 11 — OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses at December 31, 2018 and 2017 consisted of the following:

	December 31, 2018 *USD*	**December 31, 2017** *USD*
Payables to a potential investor[1]	8,574,254	8,679,073
Payable to Guizhou Eakan Investing Corp.[2]	2,121,392	2,228,262
Salaries and bonuses payable	23,543,535	19,770,025
Accruals for sales promotion fee	29,401,827	19,346,659
Payables for construction work	8,181,773	9,135,810
Other tax payables	1,456,184	2,891,714
Advance from customers[3]	9,101,834	2,425,975
Deposits received	7,463,172	4,434,443
Others	10,089,822	6,915,903
Total	99,933,793	75,827,864

(1) The payables to a potential investor comprises deposits received from a potential investor in the amount of $4,977,112 and $5,227,846 as of December 31, 2018 and 2017, respectively, and related interest plus penalty on these deposits totaling $3,597,142 and $3,451,227 as of December 31, 2018 and 2017, respectively.

(2) Guizhou Taibang has payables to Guizhou Eakan Investing Corp., amounting to approximately $2,121,392 and $2,228,262 as of December 31, 2018 and 2017, respectively. The Company borrowed this interest free advance for working capital purpose for Guizhou Taibang. The balance is due on demand. See Note 17.

(3) The change in advance from customers primarily represents the cash received, less amounts recognized as sales during the year.

NOTE 12 — INCOME TAX

The Company and each of its subsidiaries file separate income tax returns.

The United States of America

China Biologic Products Inc. was originally incorporated on December 20, 1989 under the laws of the State of Texas as Shepherd Food Equipment, Inc. On November 20, 2000, Shepherd Food Equipment, Inc. changed its corporate name to Shepherd Food Equipment, Inc. Acquisition Corp., or Shepherd. Shepherd is the survivor of a May 28, 2003 merger between Shepherd and GRC Holdings, Inc., or GRC, a Texas corporation. In the merger, the surviving corporation adopted the articles of incorporation and bylaws of GRC and changed its corporate name to GRC Holdings, Inc. On January 10, 2007, a plan of conversion became effective pursuant to which GRC was converted into a Delaware corporation and changed its name to China Biologic Products, Inc.

With the completion of domiciliation to the Cayman Islands on July 21, 2017, China Biologic Products Inc. was merged with and into China Biologic Products Holdings, Inc., with China Biologic Products Holdings, Inc. as the surviving company.

China Biologic Products Holdings, Inc. continued to be a U.S. corporation for U.S. federal income tax purposes and is subject to U.S. federal corporate income tax at gradual rates of up to 35% for year 2017.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted. The Tax Act has made significant changes to the U.S. Internal Revenue Code, including the taxation of U.S. corporations, by, among other things, limiting interest deductions, reducing the U.S. corporate income tax rate, disallowing certain deductions that had previously been allowed, altering the expensing of capital expenditures, adopting elements of a territorial tax system, assessing a repatriation tax or "toll-charge" on undistributed earnings and profits of U.S.-owned foreign corporations, and introducing certain anti-base erosion provisions. In 2017, the Company recorded a charge of approximately $40.3 million as a provisional amount for the repatriation tax on deemed repatriation to the United States of accumulated earnings. The charge for deemed repatriation will be payable by the Company over an eight-year period commencing April 2018. In the second quarter of 2018, $3,250,000 repatriation tax was paid by the Company to the U.S. tax bureau.

In August 2018, based on additional implementation guidance issued by the U.S. Treasury Department and the Internal Revenue Service, the Company adjusted the provisional amount by reversing income tax payable and income tax expense of $7.5 million. The accounting for the income tax effect of the Act has been completed.

Cayman Islands

Under the current laws of Cayman Islands, China Biologic Products Holdings, Inc. is not subject to tax on its income or capital gains.

British Virgin Islands

Taibang Biological is incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands (BVI), Taibang Biological is not subject to tax on income or capital gains. In addition, upon payments of dividends by Taibang Biological, no British Virgin Islands withholding tax is imposed.

Hong Kong

Taibang Holdings (Hong Kong) Limited ("Taibang Holdings", formerly known as "Logic Holdings (Hong Kong) Limited") is incorporated in Hong Kong and is subject to Hong Kong's profits tax rate of 16.5% for the years ended December 31, 2018, 2017 and 2016. Taibang Holdings did not earn any income that was derived in Hong Kong for the years ended December 31, 2018, 2017 and 2016.

Health Forward Holdings Limited ("Health Forward") is incorporated in Hong Kong and is subject to Hong Kong's profits tax rate of 16.5% for the year ended December 31, 2018. Health Forward did not earn any income that was derived in Hong Kong for the year ended December 31, 2018.

The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

PRC

The PRC's statutory income tax rate is 25%. The Company's PRC subsidiaries are subject to income tax at 25% unless otherwise specified.

In October 2014, Shandong Taibang obtained a notice from the Shandong provincial government that granted it the High and New Technology Enterprise certificate. This certificate entitled Shandong Taibang to enjoy a preferential income tax rate of 15% for a period of three years from 2014 to 2016. In December 2017, Shandong Taibang renewed its high and new technology enterprise qualification, which entitled it to enjoy a preferential income tax rate of 15% for a period of three years from 2017 to 2019.

According to CaiShui [2011] No. 58 dated July 27, 2011, Guizhou Taibang, being a qualified enterprise located in the western region of the PRC, enjoys a preferential income tax rate of 15% effective retroactively from January 1, 2011 to December 31, 2020.

TianXinFu was recognized by Beijing provincial government as a high and new technology enterprise in 2009 and the latest renewal of its qualification was obtained in 2018, which entitled TianXinFu to enjoy a preferential income tax rate of 15% for a period of three years from 2018 to 2020.

The components of earnings (losses) before income tax expense by jurisdictions are as follows:

	For the Years Ended		
	December 31, 2018	**December 31, 2017**	**December 31, 2016**
	USD	*USD*	*USD*
PRC, excluding Hong Kong	175,225,854	171,787,763	170,830,607
U.S.	(11,303,223)	(28,866,395)	(19,408,283)
BVI	2,341,136	3,488,680	2,498,629
Hong Kong	(260,472)	(2,280)	(1,712)
Total	166,003,295	146,407,768	153,919,241

Income tax expense for the years ended December 31, 2018, 2017 and 2016 represents current income tax expense and deferred income tax (benefit)/expense:

	For the Years Ended		
	December 31, 2018	**December 31, 2017**	**December 31, 2016**
	USD	*USD*	*USD*
Current income tax expense — PRC	29,715,744	27,133,958	28,132,361
Current income tax expense — US	(7,519,674)	40,290,367	—
Deferred income tax benefit — PRC	(4,657,379)	(3,252,516)	(3,006,541)
Deferred income tax expense — US	497,489	—	—
Total income tax expense	18,036,180	64,171,809	25,125,820

The effective income tax rate based on income tax expense and earnings before income taxes reported in the consolidated statements of comprehensive income differs from the PRC statutory income tax rate of 25% due to the following:

	For the Years Ended		
	December 31, 2018	**December 31, 2017**	**December 31, 2016**
	(in percentage to earnings before income tax expense)		
PRC statutory income tax rate	25.0%	25.0%	25.0%
Non-deductible expenses:			
Share-based compensation	1.4%	3.7%	—
Others	0.9%	1.1%	1.6%
Tax rate differential	(0.5)%	(0.9)%	(3.6)%
Effect of PRC preferential tax rate	(9.0)%	(11.1)%	(10.9)%
Bonus deduction on research and development expenses	(2.3)%	(1.5)%	(1.5)%
Change in valuation allowance	0.4%	(0.6)%	5.3%
Repatriation tax	(4.5)%	29.4%	—
Tax effect of equity method investment	0.3%	(0.6)%	0.4%
Excess tax benefits from stock option exercises	(0.8)%	(0.7)%	—
Effective income tax rate	10.9%	43.8%	16.3%

The PRC tax rate has been used because the majority of the Company's consolidated pre-tax earnings arise in the PRC.

As of December 31, 2018 and 2017, significant temporary differences between the tax basis and financial statement basis of assets and liabilities that gave rise to deferred taxes were principally related to the following:

	December 31, 2018	**December 31, 2017**
	USD	*USD*
Deferred income tax assets arising from:		
—Accrued expenses	7,587,118	6,558,359
— Deferred income	213,086	258,255
— Property, Plant and Equipment	1,149,033	1,210,006
— Other non-current assets	158,607	146,918
— Tax loss carryforwards	4,300,813	5,031,657
Gross deferred income tax assets	13,408,657	13,205,195
Less: valuation allowance	(4,300,813)	(5,031,657)
Net deferred income tax assets	9,107,844	8,173,538

	December 31, 2018 *USD*	December 31, 2017 *USD*
Deferred income tax liabilities arising from:		
— Property, plant and equipment	(129,636)	—
— Intangible assets	(7,947,786)	(148,467)
— Land use rights	(552,602)	—
— Equity method investment	(497,489)	—
— Dividend withholding tax	(3,774,778)	(6,085,290)
Deferred income tax liabilities	(12,902,291)	(6,233,757)
Classification on consolidated balance sheets:		
Deferred income tax assets, included in other non-current assets	9,107,844	8,173,538
Deferred income tax liabilities, included in other liabilities	(12,902,291)	(6,233,757)

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilized. Management considers the scheduled reversal of deferred income tax liabilities (including the impact of available carryforwards periods), projected future taxable income, and tax planning strategies in making this assessment.

The deferred income tax assets of $4,300,813 for tax loss carry forwards as of December 31, 2018 represented tax loss carryforwards of certain PRC subsidiaries. For PRC income tax purposes, these PRC subsidiaries had tax loss carryforwards of $18,526,347, of which $4,806,145, $4,204,366, $4,644,148, $728,172 and $4,143,516 would expire by 2019, 2020, 2021, 2022 and 2023, respectively, if unused. In view of their cumulative losses positions, management determined it is more likely than not that deferred income tax assets of these PRC subsidiaries will not be realized, and therefore full valuation allowances of $4,300,813 and $5,031,657 were provided as of December 31, 2018 and 2017, respectively.

For United States federal income tax purposes, CBP had nil tax loss carry forwards as of December 31, 2018 and 2017. All tax loss brought forwards of CBP has been utilized by December 31, 2017 as a result of the repatriation tax on deemed repatriation of accumulated earnings to the United States.

The following table presents the movement of the valuation allowance for deferred income tax assets for the years ended December 31, 2018, 2017 and 2016:

	For the Years Ended		
	December 31, 2018 *USD*	December 31, 2017 *USD*	December 31, 2016 *USD*
Beginning balance	5,031,657	26,629,179	8,160,611
Addition (deduction) during the year	(507,897)	(21,927,117)	18,676,456
Foreign currency translation adjustment	(222,947)	329,595	(207,888)
Ending balance	4,300,813	5,031,657	26,629,179

According to the prevailing PRC income tax law and relevant regulations, dividends relating to earnings accumulated beginning on January 1, 2008 that are received by non-PRC-resident enterprises from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or similar arrangement. Dividends relating to undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax. Further, dividends received by the Company from its overseas subsidiaries are subject to the U.S. federal income tax less any qualified foreign tax credits. Based on the dividend policy the Company has provided the deferred income tax liabilities of $7,351,023 on undistributed earnings of $74 million, approximately 50% of Shandong Taibang's total undistributed earnings at December 31, 2014. During the years ended December 31, 2018, 2017 and 2016, the deferred income tax liabilities of $2,310,512, nil and $1,265,733 were paid following a sum of RMB148,760,000 (approximately $21,674,332), nil and RMB82,760,000 (approximately $11,929,854) dividend distribution to Taibang Holdings (Hong Kong) Limited by Taibang Biotech (Shandong) Co., Ltd. in 2018, 2017 and 2016, respectively, which was generated from distributed earnings of Shandong Taibang. Due to the Company's plan and intention of reinvesting its earnings in its PRC business, the Company has not provided for the related deferred income tax liabilities on the remaining undistributed earnings of the PRC subsidiaries totaling $613.6 million as of December 31, 2018.

As of January 1, 2016 and for each of the years ended December 31, 2018, 2017 and 2016, the Company and its subsidiaries did not have any unrecognized tax benefits, and therefore no interest or penalties related to unrecognized tax benefits were accrued. The Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12 months.

The Company and each of its PRC subsidiaries file income tax returns in the United States and the PRC, respectively. The Company is subject to U.S. federal income tax examination by tax authorities for tax years beginning in 2007. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances where the underpayment of taxes is more than RMB100,000 (approximately $14,570). In the case of transfer pricing issues, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. The PRC tax returns for the Company's PRC subsidiaries are open to examination by the PRC tax authorities for the tax years beginning in 2012.

NOTE 13 — OPTIONS AND NONVESTED SHARES

Options

Effective May 9, 2008, the Board of Directors adopted the China Biologic 2008 Equity Incentive Plan, ("the 2008 Plan"). The 2008 Plan provides for grants of stock options, stock appreciation rights, performance units, restricted stock, restricted stock units and performance shares. A total of five million shares of the Company's ordinary share may be issued pursuant to the 2008 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than the fair market value per share on the grant date, except that, in the case of an incentive stock option granted to a person who holds more than 10% of the total combined voting power of all classes of the Company's stock or any of its subsidiaries, the exercise price will be no less than 110% of the fair market value per share on the grant date. All the options to be granted will have 10-year terms. The 2008 Plan expired on May 9, 2018 and all ordinary shares reserved under the 2008 Plan had been granted.

For the years ended December 31, 2018, 2017 and 2016, no stock options to purchase ordinary share were granted to any directors or employees.

A summary of stock options activity for the years ended December 31, 2018, 2017 and 2016 is as follows:

	Number of Options	Weighted Average Exercise Price *USD*	Weighted Average Remaining Contractual Term in years	Aggregate Intrinsic Value *USD*
Outstanding as of January 1, 2016	651,897	10.44	5.24	86,064,461
Granted	—	—		
Exercised	(337,406)	10.55		(35,180,367)
Forfeited and expired	—	—		
Outstanding as of December 31, 2016	314,491	10.32	3.84	30,568,083
Granted	—	—		
Exercised	(85,242)	10.18		(7,868,258)
Forfeited and expired	—	—		
Outstanding as of December 31, 2017	229,249	10.37	2.61	15,168,276
Granted	—	—		
Exercised	(121,945)	9.71		(9,137,231)
Forfeited and expired	—	—		
Outstanding as of December 31, 2018	107,304	11.13	2.28	7,570,681
Vested as of December 31, 2018	107,304	11.13	2.28	7,570,681
Exercisable as of December 31, 2018	107,304	11.13	2.28	7,570,681

For the years ended December 31, 2018, 2017 and 2016, the Company recorded stock compensation expense of nil, nil and $649,203, respectively, in general and administrative expenses.

Nonvested shares

For the years ended December 31, 2018, 2017 and 2016, nonvested shares were granted to certain directors and employees (collectively, the "Participant"). Pursuant to the nonvested share grant agreements between the Company and the Participant, the Participant will have all the rights of a shareholder with respect to the nonvested shares. The nonvested shares granted to directors generally vest in one or two years. The nonvested shares granted to employees generally vest in four years.

A summary of nonvested shares activity for the year ended December 31, 2018, 2017 and 2016 is as follow:

	Number of nonvested shares	Grant date weighted average fair value *USD*
Outstanding as of January 1, 2016	669,100	77.49
Granted	511,200	119.75
Vested	(255,150)	66.04
Forfeited	(12,500)	66.74
Outstanding as of December 31, 2016	912,650	104.51
Granted	356,150	89.94
Vested	(353,694)	91.32
Forfeited	(1,080)	98.20
Outstanding as of December 31, 2017	914,026	103.95
Granted	333,620	79.23
Vested	(256,830)	100.91
Forfeited	(385,425)	98.86
Outstanding as of December 31, 2018	605,391	94.85

For the years ended December 31, 2018, 2017 and 2016, the Company recorded stock compensation expense of $23,130,570, $33,903,283 and $23,756,308 in general and administrative expenses, respectively.

As of December 31, 2018, approximately $44,891,282 of stock compensation expense with respect to nonvested shares is to be recognized over weighted average period of approximately 2.32 years.

NOTE 14 — STATUTORY RESERVES

The Company's PRC subsidiaries are required to allocate at least 10% of its after tax profits as determined under generally accepted accounting principles in the PRC to its statutory surplus reserve until the reserve balance reaches 50% of respective registered capital. For the years ended December 31, 2018, 2017 and 2016, the Company's PRC subsidiaries made appropriations to the reserve fund of $18,844,626, $5,051 and $348,583, respectively. The accumulated balance of the statutory reserve as of December 31, 2018 and 2017 was $53,358,414 and $34,513,788, respectively.

NOTE 15 — FAIR VALUE MEASUREMENTS

Financial assets and liabilities of the Company primarily comprise of cash and cash equivalents, time deposits, short term investments, accounts receivable, loan receivable-current, other receivables, loan receivable-non-current, accounts payable, and other payables and accrued expenses. Management used the following methods and assumptions to estimate the fair value of financial assets and liabilities at the relevant balance sheet dates:

Fair Value of Financial Instruments

Short-term financial assets and liabilities (including cash and cash equivalents, time deposits, accounts receivable, loan receivable- current, other receivables,accounts payable, and other payables and accrued expenses) — The carrying amounts of the short-term financial assets and liabilities approximate their fair values because of the short maturity of these instruments.

Loan receivable-non-current — The carrying amounts of loan receivable approximate their fair value. The fair value is estimated using discounted cash flow analysis based on the borrower's incremental borrowing rates for similar borrowing.

Recurring Fair Value Measurements

The Company elects the fair value option to account for short term investments. The Company values its short term investments using the effective interest method with inputs of annualized rate of return provided by issuing banks. The annualized rate of return may range from 3.00% to 4.65% depending on the amount and time period invested. The Company classifies the valuation techniques that use these inputs as Level 2.

NOTE 16 — SALES

The Company's sales by product categories for the years ended December 31, 2018, 2017 and 2016 are as follows:

	For the Years Ended		
	December 31, 2018	**December 31, 2017**	**December 31, 2016**
	USD	*USD*	*USD*
Plasma products:			
Human Albumin	149,369,846	132,498,791	133,712,663
Immunoglobulin products:			
Human Immunoglobulin for Intravenous Injection	113,490,790	117,511,797	117,891,410
Other Immunoglobulin products	59,470,912	50,147,328	40,105,561
Others	31,677,439	21,049,636	17,281,111
Placenta Polypeptide	68,157,257	49,199,288	32,178,681
Biopharmaceutical products	422,166,244	370,406,840	341,169,426
Artificial Dura Mater	40,644,561	—	—
Others	4,066,764	—	—
Biomaterial products	44,711,325	—	—
Total	466,877,569	370,406,840	341,169,426

The Company's sales by channel for the years ended December 31, 2018, 2017 and 2016 are as follows:

	For the Years Ended		
	December 31, 2018 *USD*	**December 31, 2017** *USD*	**December 31, 2016** *USD*
Plasma products:			
Distributors	174,698,620	126,381,596	120,297,097
Hospitals and inoculation centers	179,310,367	194,825,956	188,693,648
	354,008,987	321,207,552	308,990,745
Placenta Polypeptide:			
Distributors	68,157,257	49,199,288	32,178,681
Total Biopharmaceutical products	422,166,244	370,406,840	341,169,426
Biomaterial products:			
Distributors	42,717,750	—	—
Hospitals	1,993,575	—	—
Total Biomaterial products	44,711,325	—	—
Total	466,877,569	370,406,840	341,169,426

NOTE 17 — COMMITMENTS AND CONTINGENCIES

Commitments

As of December 31, 2018, commitments outstanding for operating lease approximated $2,129,052.

As of December 31, 2018, commitments outstanding for the purchase of property, plant and equipment approximated $10,238,706.

As of December 31, 2018, commitments outstanding for the purchase of plasma approximated $58,234,770.

The following table sets forth the Company's material contractual obligations as of December 31, 2018:

	Payments due by period				
Contractual Obligations	**Less than one year**	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**
Operating lease commitment	848,731	938,551	167,378	4,095	4,095
Purchase of plasma commitment[(1)]	14,018,867	27,925,833	16,290,070	—	—
Capital commitment	9,214,835	1,023,871	—	—	—
Total	24,082,433	29,888,255	16,457,448	4,095	4,095

(1) See Note 10.

Legal proceedings

PRC Lawsuit

In June 2017, an individual brought a lawsuit against Guizhou Taibang and Guizhou Eakan Investing Corp. ("Guizhou Eakan"), an entity affiliated with one of Guizhou Taibang's former noncontrolling shareholders, requesting repayment of RMB14,560,000 (approximately $2,121,392) and related fund possession cost amounting to approximately RMB37,141,600 (approximately $5,411,531). The plaintiff alleged that he entered into an agreement with Guizhou Eakan in May 2007, according to which he provided RMB14,560,000 for Guizhou Eakan to satisfy Guizhou Taibang's loan request.

On February 28, 2018, the trial was set in Shanghai Pudong New Area People's Court. In March 2018, the court dismissed the trial for lack of jurisdiction and then transferred the trial to Shanghai No.1 Intermediate People's Court ("No.1 Court"). In January 2019, the No.1 Court held the trial and as of reporting date the ruling is still pending.

The Company does not expect the plaintiff to prevail in this trial, but the Company cannot assure that the final outcome will be in favor of Guizhou Taibang. As of December 31, 2018, Guizhou Taibang has maintained RMB14,560,000 (approximately $2,121,392) payable to Guizhou Eakan on its balance sheet.

Cayman Lawsuit

On August 27, 2018, the Company's former Chairman and CEO Mr. David (Xiaoying) Gao commenced a proceeding against the Company in the Grand Court of the Cayman Islands (the "Court"), principally seeking (a) a declaration that the private placement that was announced by the Company on August 24, 2018 was invalid and void, (b) an order requiring the Company to reverse and/or rescind any transactions carried out pursuant to the private placement, and (c) an injunction to prevent further shares from being issued by the Company to the entities participating in the private placement. The private placement was completed on September 21, 2018. On October 5, 2018, the Company made an application to the Court for dismissal of Mr. Gao's lawsuit on the ground, among others, that Mr. Gao lacked standing to pursue the claims. On December 13, 2018, the Court granted the Company's application and dismissed Mr. Gao's lawsuit. On December 21, 2018, the Court granted Mr. Gao leave to appeal its December 13, 2018 order. Pursuant to the Cayman Islands Court of Appeal Rules, Mr. Gao was required to lodge a Notice of Appeal within 14 days of being granted leave to appeal. As of reporting date, the Company has not been served with a Notice of Appeal or any further documents relating to this litigation.

NOTE 18 — EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated:

	For the Years Ended		
	December 31, 2018 *USD*	**December 31, 2017** *USD*	**December 31, 2016** *USD*
Net income attributable to China Biologic Products Holdings, Inc.	128,056,302	67,943,035	104,779,307
Earnings allocated to participating nonvested shares	(3,072,170)	(2,188,633)	(2,987,429)
Net income used in basic and diluted earnings per ordinary share	124,984,132	65,754,402	101,791,878
Weighted average shares used in computing basic earnings per ordinary share	35,304,294	27,361,561	26,848,445
Diluted effect of stock option	128,665	244,062	400,699
Weighted average shares used in computing diluted earnings per ordinary share	35,432,959	27,605,623	27,249,144
Basic earnings per ordinary share	3.54	2.40	3.79
Diluted earnings per ordinary share	3.53	2.38	3.74

During the years ended December 31, 2018, 2017 and 2016, no potential ordinary shares outstanding were excluded from the calculation of diluted earnings per ordinary share.

NOTE 19 — CHINA BIOLOGIC PRODUCTS HOLDINGS, INC. (PARENT COMPANY)

The following represents condensed unconsolidated financial information of the Parent Company only:

Condensed Balance Sheets:

	December 31, 2018 *USD*	**December 31, 2017** *USD*
Cash	175,133,834	4,708,801
Time deposits	430,000,000	3,000,000
Prepayments and prepaid expenses	12,140,443	87,070
Total Current Assets	617,274,277	7,795,871
Property, plant and equipment, net	88	145
Investment in and amounts due from subsidiaries	1,139,337,487	634,245,590
Total Assets	1,756,611,852	642,041,606
Other payables and accrued expenses	4,544,071	3,559,211
Income tax payable — current	2,621,655	3,223,229
Total Current Liabilities	7,165,726	6,782,440
Income tax payable — non current	26,899,038	37,067,138
Other liabilities	497,489	—
Total Liabilities	34,562,253	43,849,578
Total Shareholders' Equity	1,722,049,599	598,192,028
Total Liabilities and Shareholders' Equity	1,756,611,852	642,041,606

Condensed Statements of Comprehensive Income:

	For the Years Ended		
	December 31, 2018 *USD*	**December 31, 2017** *USD*	**December 31, 2016** *USD*
Equity in income of subsidiaries	132,337,339	137,099,797	124,187,590
General and administrative expenses	(16,575,019)	(28,879,890)	(19,408,283)
Other income	5,271,797	13,495	—
Earnings before income tax expense	121,034,117	108,233,402	104,779,307
Income tax (benefits)/expense	(7,022,185)	40,290,367	—
Net Income	128,056,302	67,943,035	104,779,307

Condensed Statements of Cash Flows:

	For the Years Ended		
	December 31, 2018	**December 31, 2017**	**December 31, 2016**
	USD	*USD*	*USD*
Net cash used in operating activities	(6,211,606)	(3,830,330)	(2,400,188)
Net cash used in investing activities	(404,812,895)	(3,000,000)	—
Net cash provided by financing activities	581,449,534	—	—
Net increase (decrease) in cash	170,425,033	(6,830,330)	(2,400,188)
Cash at beginning of year	4,708,801	11,539,131	13,939,319
Cash at end of year	175,133,834	4,708,801	11,539,131

NOTE 20 — CAPITAL WITHDRAWAL BY TWO FORMER NONCONTROLLING INTEREST SHAREHOLDERS OF GUIZHOU TAIBANG

On October 26, 2016, Guizhou Taibang completed the requisite legal and administrative procedures, through which two former minority shareholders, holding a combined 15.3% equity interest in Guizhou Taibang, withdrew their respective capital contributions in Guizhou Taibang for an aggregate consideration of RMB415,000,000 (approximately $58,091,018) pursuant to an agreement dated July 31, 2016.

NOTE 21 — SEGMENT INFORMATION

The Company's principal operating segments coincide with the types of products to be sold. The products from which revenues are derived are consistent with the reporting structure of the Company's internal organization. The Company's reportable segments for the year ended December 31, 2018 were biopharmaceutical products and biomaterial products as a result of the acquisition of TianXinFu completed on January 1, 2018 as described in Note 3. The Company had one operating segment, biopharmaceutical products segment, which included plasma-based products and placenta polypeptide for the years of 2017 and 2016.

The Company's chief operating decision-maker ("CODM") has been identified as the chief executive officer. The CODM regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. There are no inter-segment revenue transactions and, therefore, revenues are only generated from external customers.

The accounting policies of the segments are the same as those used by the Company.

Segment information for the year ended and as of December 31, 2018 are as follows:

	Biopharmaceutical Products *USD*	Biomaterial Products *USD*	Total *USD*
Year ended December 31, 2018			
Sales	422,166,244	44,711,325	466,877,569
Cost of sales	141,683,089	5,104,147	146,787,236
Gross profit	280,483,155	39,607,178	320,090,333
Income from operations	128,980,355	17,192,396	146,172,751
Net income	131,561,108	16,406,007	147,967,115
Equity in income of an equity method investee	2,368,995	—	2,368,995
Interest income	13,704,954	1,796	13,706,750
Share-based compensation	23,130,570	—	23,130,570
Depreciation and Amortization	13,902,507	9,322,844	23,225,351
Income tax expense	15,353,208	2,682,972	18,036,180
Segment assets	2,095,996,321	348,885,628	2,444,881,949
Capital expenditures	35,245,016	1,471,374	36,716,390
Equity method investment	15,428,028	—	15,428,028

Reconciliation of segment assets to consolidated total assets:

	December 31, 2018 *USD*
Year ended December 31, 2018	
Total segment assets	2,444,881,949
Elimination of intercompany investment balances	(434,903,268)
Consolidated total assets	2,009,978,681

As substantially all of the Company's revenue is derived from the PRC and substantially all of the Company's long-lived assets are located in the PRC, no geographical information is presented. In addition, revenue derived from and long-lived assets located in Cayman Islands, the Company's country of domicile, are immaterial.

NOTE 22 — SUBSEQUENT EVENTS

PRC Legal Proceedings

In January 2019, another individual who claimed to be a strategic investor of Guizhou Taibang brought a lawsuit against Guizhou Taibang, requesting to register her alleged ownership interest in Guizhou Taibang with the local Administration for Market Regulation ("AMR", formerly known as the Administration of Industry and Commerce). The plaintiff alleged that she entered into an Equity Purchase Agreement with Guizhou Taibang in May 2007, according to which she paid RMB11,200,000 (approximately $1,631,840) to Guizhou Taibang in exchange for approximately 4.71% of Guizhou Taibang's equity interests.

The plaintiff and Guizhou Taibang are scheduled to exchange evidence on March 20, 2019. The Company does not expect the plaintiff to prevail in this trial, but the Company cannot assure that the final outcome will be in favor of Guizhou Taibang.

Extension to Previously Announced Share Repurchase Program

On March 4, 2019, the Board of Directors of the Company approved the extension to the Company's previously authorized $100 million share repurchase program for another six months until October 31, 2019. The Company's repurchases may be made from time to time on the open market at prevailing market prices, in negotiated transactions off the market, in block trades or through other legally permissible means. The timing and extent of any purchases will depend upon market conditions, the trading price of its shares and other factors, and are subject to the restrictions relating to volume, price and timing under applicable law.

(3) The following is an extract of the audited financial statements of CBPO for the year ended December 31, 2019, which were prepared in accordance with U.S. GAAP, from the 2019 annual report of CBPO.

CONSOLIDATED BALANCE SHEETS

	Note	**December 31, 2019** *USD*	**December 31, 2018** *USD*
ASSETS			
Current Assets			
Cash and cash equivalents		161,750,425	338,880,559
Time deposits		497,676,069	537,478,040
Short term investments		267,830,790	76,048,594
Accounts receivable, net of allowance for doubtful accounts	*4*	100,270,436	125,115,842
Inventories	*6*	250,728,260	243,295,512
Prepayments and other current assets	*5*	21,469,418	36,369,275
Total Current Assets		1,299,725,398	1,357,187,822
Property, plant and equipment, net	*7*	177,596,563	178,327,361
Intangible assets, net	*8*	44,068,061	53,258,871
Land use rights, net	*11*	28,458,944	32,204,342
Equity method investment		16,725,513	15,428,028
Prepayments for investments in equity securities		—	10,812,893
Long term equity investments	*9*	10,812,893	—
Loan receivable	*10*	35,642,340	39,942,591
Goodwill	*3*	308,509,397	313,588,803
Other non-current assets	*11*	16,319,388	9,227,970
Total Assets		1,937,858,497	2,009,978,681

	Note	December 31, 2019 USD	December 31, 2018 USD
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable		6,262,256	11,404,642
Income tax payable	*13*	13,303,085	11,010,347
Other payables and accrued expenses	*12*	99,743,350	99,933,793
Total Current Liabilities		119,308,691	122,348,782
Deferred income		2,300,428	2,824,212
Non-current income tax payable	*13*	24,905,728	26,899,038
Other liabilities	*11*	16,491,793	13,203,485
Total Liabilities		163,006,640	165,275,517
Shareholders' Equity			
Ordinary share: par value $0.0001; 100,000,000 shares authorized; 41,910,701 and 41,616,320 shares issued at December 31, 2019 and 2018, respectively; 38,459,769 and 39,361,616 shares outstanding at December 31, 2019 and 2018, respectively		4,191	4,162
Additional paid-in capital		1,158,274,206	1,189,698,494
Treasury share: 3,450,932 and 2,254,704 shares at December 31, 2019 and 2018, respectively, at cost		(167,432,883)	(56,425,094)
Retained earnings		773,290,486	634,482,738
Accumulated other comprehensive losses		(68,421,408)	(45,710,701)
Total equity attributable to China Biologic Products Holdings, Inc.		1,695,714,592	1,722,049,599
Noncontrolling interest		79,137,265	122,653,565
Total Shareholders' Equity		1,774,851,857	1,844,703,164
Commitments and contingencies	*19*	—	—
Total Liabilities and Shareholders' Equity		1,937,858,497	2,009,978,681

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended		
	Note	December 31, 2019	December 31, 2018	December 31, 2017
		USD	*USD*	*USD*
Sales	*18*	503,744,922	466,877,569	370,406,840
Cost of sales		174,666,544	146,787,236	125,517,021
Gross profit		329,078,378	320,090,333	244,889,819
Operating expenses				
Selling expenses		80,319,448	95,575,830	34,843,935
General and administrative expenses		73,376,457	68,817,340	67,683,667
Research and development expenses		11,734,590	9,524,412	6,503,712
Income from operations		163,647,883	146,172,751	135,858,505
Other income (expenses)				
Equity in income of an equity method investee		1,587,067	2,368,995	3,509,071
Interest income		21,322,239	13,706,750	7,623,624
Interest expense		(557,597)	(338,136)	(583,432)
Other income, net		5,494,119	4,092,935	—
Total other income, net		27,845,828	19,830,544	10,549,263
Income before income tax expense		191,493,711	166,003,295	146,407,768
Income tax expense	*13*	28,098,525	18,036,180	64,171,809
Net income		163,395,186	147,967,115	82,235,959
Less: Net income attributable to noncontrolling interest		24,587,438	19,910,813	14,292,924
Net income attributable to China Biologic Products Holdings, Inc.		138,807,748	128,056,302	67,943,035

		For the Years Ended		
	Note	**December 31, 2019**	**December 31, 2018**	**December 31, 2017**
		USD	*USD*	*USD*
Earnings per share of ordinary share:	*20*			
Basic		3.55	3.54	2.40
Diluted		3.53	3.53	2.38
Weighted average shares used in computation:				
Basic	*20*	38,657,553	35,304,294	27,361,561
Diluted		38,897,964	35,432,959	27,605,623
Net income		163,395,186	147,967,115	82,235,959
Other comprehensive (losses)/ income:				
Foreign currency translation adjustment, net of nil income taxes		(20,376,586)	(60,783,829)	36,861,394
Comprehensive income		143,018,600	87,183,286	119,097,353
Less: Comprehensive income attributable to noncontrolling interest		21,694,640	12,794,989	17,876,743
Comprehensive income attributable to China Biologic Products Holdings, Inc.		121,323,960	74,388,297	101,220,610

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary share								
	Number of Shares	Par value USD	Additional paid-in capital USD	Treasury stock USD	Retained earnings USD	Accumulated other comprehensive income (losses) USD	Equity attributable to China Biologic Products Holdings, Inc. USD	Noncontrolling interest USD	Total equity USD
Balance as of January 1, 2017	29,427,609	2,943	105,459,610	(56,425,094)	438,483,401	(25,320,271)	462,200,589	58,936,234	521,136,823
Net income	—	—	—	—	67,943,035	—	67,943,035	14,292,924	82,235,959
Other comprehensive income	—	—	—	—	—	33,277,575	33,277,575	3,583,819	36,861,394
Dividend declared to a noncontrolling interest shareholder	—	—	—	—	—	—	—	(10,680,008)	(10,680,008)
Share-based compensation	—	—	33,903,283	—	—	—	33,903,283	—	33,903,283
Ordinary share issued in connection with:									
— Exercise of stock options	85,242	9	867,537	—	—	—	867,546	—	867,546
— Vesting of restricted shares	353,694	35	(35)	—	—	—	—	—	—
Balance as of December 31, 2017	29,866,545	2,987	140,230,395	(56,425,094)	506,426,436	7,957,304	598,192,028	66,132,969	664,324,997
Net income	—	—	—	—	128,056,302	—	128,056,302	19,910,813	147,967,115
Other comprehensive losses	—	—	—	—	—	(53,668,005)	(53,668,005)	(7,115,824)	(60,783,829)
Dividend declared to a noncontrolling interest shareholder	—	—	—	—	—	—	—	(10,145,395)	(10,145,395)
Share-based compensation	—	—	23,130,570	—	—	—	23,130,570	—	23,130,570
Issuance of ordinary shares in private placement	5,850,000	585	590,264,415	—	—	—	590,265,000	—	590,265,000
Issuance of ordinary shares to PWM in exchange for 80% equity interest of TianXinFu *(Note 3)*	5,521,000	552	434,888,618	—	—	—	434,889,170	53,871,002	488,760,172
Ordinary share issued in connection with:									
— Exercise of stock options	121,945	12	1,184,522	—	—	—	1,184,534	—	1,184,534
— Vesting of restricted shares	256,830	26	(26)	—	—	—	—	—	—
Balance as of December 31, 2018	41,616,320	4,162	1,189,698,494	(56,425,094)	634,482,738	(45,710,701)	1,722,049,599	122,653,565	1,844,703,164
Net income	—	—	—	—	138,807,748	—	138,807,748	24,587,438	163,395,186
Other comprehensive losses	—	—	—	—	—	(17,483,788)	(17,483,788)	(2,892,798)	(20,376,586)
Dividend declared to a noncontrolling interest shareholder	—	—	—	—	—	—	—	(10,124,707)	(10,124,707)
Share-based compensation	—	—	26,600,015	—	—	—	26,600,015	—	26,600,015
Share repurchase	—	—	—	(111,007,789)	—	—	(111,007,789)	—	(111,007,789)
Acquisition of noncontrolling interests	—	—	(58,636,048)	—	—	(5,226,919)	(63,862,967)	(55,086,233)	(118,949,200)
Ordinary share issued in connection with:									
— Exercise of stock options	49,900	5	611,769	—	—	—	611,774	—	611,774
— Vesting of restricted shares	244,481	24	(24)	—	—	—	—	—	—
Balance as of December 31, 2019	41,910,701	4,191	1,158,274,206	(167,432,883)	773,290,486	(68,421,408)	1,695,714,592	79,137,265	1,774,851,857

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended		
	December 31, 2019 *USD*	December 31, 2018 *USD*	December 31, 2017 *USD*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	163,395,186	147,967,115	82,235,959
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	16,517,254	13,809,041	11,691,731
Amortization	9,723,617	9,416,310	1,216,959
Loss on disposal of property, plant and equipment	297,504	1,001,000	3,228,845
Fair value changes of short term investments	350,816	—	—
(Reversal of)/Allowance for doubtful accounts — accounts receivable	(77,624)	655,148	23,783
(Reversal of)/Allowance for doubtful accounts — prepayments and other receivables	(24,959)	96,267	—
Impairment for other non-current assets	—	2,671,528	—
Write-down of inventories to net realizable value	3,379,600	—	—
Deferred income tax benefit	(2,437,244)	(4,159,890)	(3,252,516)
Share-based compensation	26,600,015	23,130,570	33,903,283
Equity in income of an equity method investee	(1,587,067)	(2,368,995)	(3,509,071)
Change in operating assets and liabilities, net of effect of acquisition of TianXinFu:			
Accounts receivable	22,132,899	(53,879,876)	(39,918,939)
Inventories	(14,848,008)	(42,594,485)	(42,078,261)
Prepayments and other current assets	4,403,945	(9,387,783)	(1,777,783)
Accounts payable	(1,298,670)	8,140,553	977,152
Income tax payable	2,499,525	(3,575,544)	6,047,808
Other payables and accrued expenses	2,792,697	23,693,979	16,821,694
Deferred income	(483,833)	(504,886)	(493,897)
Non-current income tax payable	(1,993,310)	(10,168,100)	37,067,138
Net cash provided by operating activities	229,342,343	103,941,952	102,183,885

	For the Years Ended		
	December 31, 2019 *USD*	**December 31, 2018** *USD*	**December 31, 2017** *USD*
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash acquired from acquisition of TianXinFu	—	97,702,278	—
Purchase of time deposits	(1,682,444,149)	(1,871,773,012)	(22,669,000)
Proceeds from maturity of time deposits	1,718,265,827	1,349,949,821	—
Purchase of short term investments	(924,056,075)	(855,074,467)	—
Proceeds from maturity of short term investments	727,962,833	767,654,706	—
Payment for property, plant and equipment	(24,287,087)	(31,743,146)	(37,504,440)
Payment for intangible assets and land use rights	(149,010)	(4,973,244)	(786,691)
Proceeds from disposal of property, plant and equipment and land use rights	4,563,433	124,560	64,914
Prepayments for investments in equity securities	—	(10,812,893)	—
Net cash used in investing activities	(180,144,228)	(558,945,397)	(60,895,217)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from stock options exercised	611,774	1,184,534	867,546
Proceeds from short term bank loans	—	—	23,009,280
Repayment of short term bank loans	—	—	(23,412,060)
Dividend paid by subsidiaries to noncontrolling interest shareholders	(10,124,707)	(10,145,395)	(18,789,151)
Proceeds from issuance of ordinary shares	—	590,265,000	—
Prepayment to an investment bank for potential share repurchase	—	(10,000,000)	—
Payment to an investment bank for share repurchase	(110,042,776)	—	—
Refund of prepayment to an investment bank for share repurchase	9,034,987	—	—
Acquisition of noncontrolling interest	(118,949,200)	—	—
Net cash (used in)/provided by financing activities	(229,469,922)	571,304,139	(18,324,385)

	For the Years Ended		
	December 31, 2019 *USD*	**December 31, 2018** *USD*	**December 31, 2017** *USD*
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,141,673	3,243,017	12,607,032
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(177,130,134)	119,543,711	35,571,315
Cash and cash equivalents at beginning of year	338,880,559	219,336,848	183,765,533
Cash and cash equivalents at end of year	161,750,425	338,880,559	219,336,848
Supplemental cash flow information			
Cash paid for income taxes	30,358,013	35,449,581	24,691,429
Cash paid for interest expense	—	—	252,353
Noncash investing and financing activities:			
Acquisition of property, plant and equipment included in payables	3,154,835	3,687,742	7,548,964
Set-off loan receivable against accounts payable	3,716,055	3,784,297	—
Share repurchase using the prepayment to an investment bank	111,007,789	—	—
Fair value of noncash assets acquired and liabilities assumed in acquisition of TianXinFu	—	337,186,892	—

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019, 2018 and 2017

NOTE 1 — DESCRIPTION OF BUSINESS AND SIGNIFICANT CONCENTRATIONS AND RISKS

China Biologic Products Holdings, Inc. (“CBP”) and its subsidiaries (collectively, the “Company”), are principally engaged in the research, development, manufacturing and sales of biopharmaceutical products in the People’s Republic of China (the “PRC”).

Biopharmaceutical products include plasma-based products and placenta polypeptide. All of the biopharmaceutical products are prescription medicines administered in the form of injections. The principal plasma products are human albumin and human immunoglobulin for intravenous injection (“IVIG”). The PRC subsidiaries own and operate plasma collection stations that purchase and collect plasma from individual donors. The plasma is processed into finished goods after passing through a series of fractionating processes.

On January 1, 2018, the Company acquired 80% equity interest in TianXinFu (Beijing) Medical Appliance Co., Ltd. (“TianXinFu”), a medical device company primarily engaging in manufacturing and sale of regenerative medical biomaterial products. Biomaterial products include artificial dura mater and spinal dura mater products, with extracted collagen as the main raw material, which are applied in brain and spinal surgeries. On June 28, 2019, Taibang Biotech (Shandong) Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with Fujian Pingtan Centurium Investment Partnership (Limited Partnership) and Xinyu Yongshuo Management and Consulting Partnership (Limited Partnership) to purchase 15% and 5%, respectively, of the equity interest in TianXinFu from such sellers for a total cash consideration of $118.9 million and as a result, TianXinFu became an indirect wholly-owned subsidiary of the Company.

All of the Company’s plasma products require government approval before the products are sold to customers. The Company primarily sells its products to hospitals and inoculation centers directly or through distributors in the PRC.

On July 21, 2017, China Biologic Products Holdings, Inc. (the “Successor”) succeeded to the interests of China Biologic Products, Inc. (the “Predecessor”) following a redomicile merger pursuant to an agreement and plan of merger dated as of April 28, 2017 (the “Merger Agreement”) between the Successor and the Predecessor. Pursuant to the Merger Agreement, the Predecessor merged with and into the Successor, with the Successor surviving the merger and each issued and outstanding shares of Predecessor’s common stock converted into the right to receive one ordinary share of the Successor. The consolidated financial statements of the Successor represents the continuation of the financial statements of the Predecessor, reflecting the assets and liabilities, retained earnings and other equity balances of the Predecessor before the domiciliation. The equity structure is restated using the exchange ratio established in the Merger Agreement to reflect the number of shares of the Successor.

Cash Concentration

The Company maintains cash balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for its bank accounts located in the United States or may exceed Hong Kong Deposit Protection Board insured limits for its bank accounts located in Hong Kong or may exceed the insured limits for its bank accounts in China established by the People’s Bank of China. Total cash at banks and deposits, including cash and equivalents, time deposits and short term investments as of December 31, 2019 and December 31, 2018 amounted to $925,817,723 and $951,336,787, respectively, of which $2,661,396 and $3,227,530 are insured, respectively. The Company has not experienced any losses in uninsured bank deposits and does not believe that it is exposed to any significant risks on cash held in bank accounts.

Sales Concentration

The Company's two major biopharmaceutical products are human albumin and IVIG. Human albumin accounted for 37.3%, 32.0% and 35.8% of the total sales for the years ended December 31, 2019, 2018 and 2017, respectively. IVIG accounted for 23.2%, 24.3% and 31.7% of the total sales for the years ended December 31, 2019, 2018 and 2017, respectively. The Company expects sales from these two products to represent a substantial portion of its sales in the future. If the market demands for human albumin and IVIG cannot be sustained in the future or the price of human albumin and IVIG decreases, the Company's operating results could be adversely affected.

Substantially all of the Company's customers are located in the PRC. There were no customers that individually comprised 10% or more of sales during the years ended December 31, 2019, 2018 and 2017. No individual customer represented 10% or more of accounts receivables as at December 31, 2019 and 2018. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

Purchase Concentration

There was one supplier, namely, Xinjiang Deyuan Bioengineering Co., Ltd. ("Xinjiang Deyuan") (see Note 10), that comprised 10% or more of the total purchases during the years ended December 31, 2019, 2018 and 2017. Chongqing Sanda Great Exploit Pharmaceutical Co, Ltd. represented more than 10% of accounts payables as at December 31, 2019. No individual supplier represented 10% or more of accounts payables as at December 31, 2018.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), and include the financial statements of the Company and its subsidiaries in which CBP, directly or indirectly, has a controlling financial interest. All intercompany balances and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment and intangibles with definite lives, the collectability of accounts receivable and loan receivable, the fair value determinations of stock compensation awards and short term investments, identifiable assets acquired and liabilities assumed and noncontrolling interest in business combinations, the realizability of deferred income tax assets and inventories, the recoverability of intangible assets, land use rights, property, plant and equipment, goodwill and equity method investment, and accruals for income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Foreign Currency Translation

The accompanying consolidated financial statements of the Company are reported in US dollar. The financial position and results of operations of the Company's subsidiaries in the PRC are measured using the Renminbi, which is the local and functional currency of these entities. Assets and liabilities of the subsidiaries are translated at the prevailing exchange rate in effect at each period end. Revenues and expenses are translated at the average rate of exchange during the period. Translation adjustments are included in other comprehensive income/(losses).

Revenue Recognition

Prior to January 1, 2018, revenue was recognized when persuasive evidence of an arrangement existed, delivery of the product has occurred and the customer took ownership and assumed risk of loss, the sales price was fixed or determinable and collection of the relevant receivable was probable. For all sales, the Company required a signed contract or purchase order, which specified pricing, quantity and product specifications. Delivery of the product occurred when the customer received the product, which was when the risks and rewards of ownership have been transferred. Delivery was evidenced by signed customer acknowledgement. The Company's sales agreements did not provide the customer the right of return, unless the product was defective in which case the Company allowed for an exchange of product or return. For the periods presented, defective product returns were inconsequential. Revenue represents the invoiced amount of products sold, net of value added taxes (VAT).

Effective January 1, 2018, the Company adopted the new guidance of ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"), which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. Topic 606 requires the Company to recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company sells biopharmaceutical and biomaterial products to hospitals, inoculation centers and distributors. For all sales, the Company requires a signed contract or purchase order, which specifies pricing, quantity and product specifications. The Company recognizes revenue upon the satisfaction of its performance obligation, which is to transfer the control of the promised products to customers in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those products, excluding amounts collected on behalf of third parties (e.g. value-added taxes). The transfer of control of the products is satisfied at a point in time, which is the delivery of the products to customers' premises and evidenced by signed customer acknowledgement. The selling price, which is specified in the signed contracts or purchase orders, is fixed. The Company has unconditional right to receive full payment of the sales price, upon the delivery of the products to customers and the signing of the customer acknowledgement. Customers are required to pay under the customary payment terms, which is generally less than six months. Advances from customers (a contract liability) is recognized when the Company has an unconditional right to a payment before it transfers the products to customers, and are included in other payables and accrued expenses.

Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices for identical assets or liabilities in active markets accessible to the entity at the measurement date.

- Level 2 Inputs: Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

See Note 16 to the Consolidated Financial Statements.

Cash and Cash Equivalents

Cash consists of cash on hand and demand deposits. The Company considers all highly liquid investments with original maturities of three-month or less at the time of purchase and readily convertible into known amounts of cash to be cash equivalents.

As of December 31, 2019 and 2018, the Company maintained cash and cash equivalents at banks in the following locations:

	December 31, 2019	December 31, 2018
	USD	*USD*
PRC, excluding Hong Kong	78,412,035	158,739,504
Hong Kong	1,153,006	3,936,815
U.S.	80,745,824	175,133,834
Total	160,310,865	337,810,153

Time deposits

The Company's time deposits represent bank financial products with original maturity of less than one year when purchased with insured principle and interest based on the stated interest rate in the agreement with the Company upon maturity. The interest earned is recorded in interest income in the statements of comprehensive income.

Short term investments

The Company's short term investments represent bank financial products not readily available to be converted to cash with terms less than one year when purchased with floating interest rate. The Company elects to apply the fair value option for short term investments. Investment income and fair value changes from short term investments are recorded in other income, net in the statements of comprehensive income.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable is recognized when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in cash provided by operating activities in the consolidated statements of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses, the customers' financial condition, the amount of accounts receivables in dispute, the accounts receivables aging and the customers' payment patterns. The Company reviews its allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Cost of work-in-process and finished goods comprise direct materials, direct production costs and an allocation of production overheads based on normal operating capacity. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Adjustments are recorded to write down the carrying amount of any obsolete and excess inventory to its estimated net realizable value based on historical and forecasted demand.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less than accumulated depreciation and impairment, if any.

Cost incurred in the construction of property, plant and equipment, including downpayments and progress payments, are initially capitalized as construction-in-progress and transferred into their respective asset categories when the assets are ready for their intended use, at which time depreciation commences.

Depreciation on property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets are as follows:

Buildings	20–45 years
Machinery and equipment	10 years
Furniture, fixtures, office equipment and vehicles	5–10 years

When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and the proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized and amortized over the remaining useful life.

Business Combination

The Company accounts for its business combination using the acquisition method in accordance with ASC Topic 805 ("ASC 805"): *Business Combinations*. An acquirer is required to recognize the identifiable acquired assets, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. The excess of (i) the total purchase price and fair value of the noncontrolling interests over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill.

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but is tested for impairment at the reporting unit level on at least an annual basis and more frequently when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. When performing an evaluation of goodwill impairment, the Company has elected the option to first assess qualitative factors, such as significant events and changes to expectations and activities that may have occurred since the last impairment evaluation, to determine if it is more likely than not that goodwill might be impaired. If as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the quantitative fair value test is performed to determine if the fair value of the reporting unit exceeds its carrying value.

The Company has adopted Accounting Standards Update ("ASU") 2017-04, *Simplifying the Test for Goodwill Impairment*, for annual goodwill impairment tests from January 1, 2018. This guidance removes Step 2 of the goodwill impairment test, which required the estimation of an implied fair value of goodwill in the same manner as the calculation of goodwill upon a business combination. Under the new amendments, the Company's goodwill impairment review involves the following steps: 1) qualitative assessment — evaluate qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The factors the Company considers include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, financial performance or events-specific to that reporting unit. If or when the Company determines it is more likely than not that the fair value of a reporting unit is less than the carrying amount, including goodwill, the Company would move to the quantitative method; 2) quantitative method -the Company performs the quantitative fair value test by comparing the fair value of a reporting unit with its carrying amount and an impairment charge is measured as the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

In 2019, the Company only performed qualitative assessments to determine that it is not more likely than not that the fair value of each reporting unit was less than its carrying amount. No impairment of goodwill was recognized for any of the years presented.

Lease

The Company is a lessee in a number of noncancellable operating leases, primarily for warehouses and office space.

Prior to the adoption of ASC 842, operating leases were not recognized on the balance sheet of the Company, but rent expenses with fixed escalating payments and/or rent holidays were recognized on a straight-line basis over the lease term.

From January 1, 2019, the Company accounts for leases in accordance with ASC Topic 842, *Leases*. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

- ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value of the underlying leased asset or the amount of the lessor's deferred initial direct costs. Instead, the Company uses its incremental borrowing rate as the discount rate for the lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Company does not generally borrow on a collateralized basis, it uses the interest rate it pays on its noncollateralized borrowings as an input to derive an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

- The lease term for all of the Company's leases includes the noncancellable period of the lease plus any additional periods covered by either a Company's option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

- Lease payments included in the measurement of the lease liability comprise the following:

  — Fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties the Company would owe if the lease term assumes the Company to exercise a termination option);

  — Variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date;

  — Amounts expected to be payable under a Company-provided residual value guarantee; and

  — The exercise price of a Company option to purchase the underlying asset if the Company is reasonably certain to exercise the option.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease payments associated with the Company's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense in the Company's consolidated statements of income in the same line item as expense arising from fixed lease payments (operating leases).

ROU assets for operating and finance leases are periodically reduced by impairment losses. The Company uses the long- lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment — Overall*, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

Operating lease ROU assets are presented in other non-current assets on the consolidated balance sheet. The current portion of operating lease liabilities is included in other payables and accrued expenses and the long-term portion is presented separately as other liabilities on the consolidated balance sheets.

The Company has made accounting policy elections whereby it (i) does not recognize ROU assets or lease liabilities for short term leases (those with original terms of 12-months or less) and (ii) combines lease and non-lease components for facilities leases, which primarily relate to ancillary expenses such as common area maintenance charges and management fees of its operating leases. As of December 31, 2019, the Company did not have any finance leases.

Land Use Rights

Land use rights represent the exclusive right to occupy and use a piece of land in the PRC for a specified contractual term. Land use rights are carried at cost, less accumulated amortization. Amortization is calculated using the straight-line method over the contractual period of the rights ranging from 40 to 50 years.

Equity Method Investment

Investment in an investee in which the Company has the ability to exercise significant influence, but does not have a controlling interest is accounted for using the equity method. Significant influence is generally presumed to exist when the Company has an ownership interest in the voting stock between 20% and 50%, and other factors, such as representation on the board of directors and participation in policy-making processes, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the Company's share of the investee's results of operations is included in other income (expenses) in the Company's consolidated statements of comprehensive income. Deferred taxes are provided for the difference, if any, between the book and tax basis of the investment. The Company determines the difference between the carrying amount of the investee and the underlying equity in net assets which results in an excess basis in the investment. The excess basis is allocated to the underlying assets and equity method goodwill of the Company's investee. The excess basis allocated to the underlying assets is either amortized or depreciated over the applicable useful lives. The equity method goodwill, which is $1,173,008 and $1,192,320 at December 31, 2019 and 2018, respectively, is not amortized or tested for impairment; instead the equity method investment is tested for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. The Company recognizes a loss if it is determined that other than temporary decline in the value of the investment exists. The process of assessing and determining whether an impairment on a particular equity investment is other than temporary requires significant amount of judgment. To determine whether an impairment is other-than-temporary, management considers whether the Company has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. No impairment loss was recognized by the Company for the years ended December 31, 2019, 2018 and 2017.

The Company's equity method investment as of December 31, 2019 and 2018 represented 35% equity interest investment in Xi'an Huitian Blood Products Co., Ltd. ("Huitian"), which the Company acquired in October 2008.

Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Grants that compensate research and development expenses are recognized as a reduction to the related research and development expenses. Grants that compensate the Company for the cost of property, plant and equipment are recognized as deferred income and are recognized as a reduction of depreciation and amortization during the useful life of the asset.

For the years ended December 31, 2019, 2018 and 2017, the Company received government grants of RMB8,468,100 (approximately $1,225,147), RMB4,837,300 (approximately $704,795) and RMB2,405,210 (approximately $368,093), respectively, which have been recognized as a reduction of research and development expenses.

For the year ended December 31, 2012, the Company received government grants of RMB18,350,000 (approximately $2,989,215) related to the technical upgrade of the manufacturing facilities in Guizhou Taibang, which was recorded as deferred income. The grants amortized amounted to $266,217, $277,801 and $271,754 for the years ended December 31, 2019, 2018 and 2017, respectively.

For the year ended December 31, 2015, the Company received government grants of RMB15,000,000 (approximately $2,452,864) related to the new manufacturing facilities for factor products in Shandong Taibang, which was recorded as deferred income. These grants are amortized as the related assets are depreciated. The grants amortized amounted to $217,616, $227,085 and $222,143 for the year ended December 31, 2019, 2018 and 2017, respectively.

Intangible Assets

Intangible assets with finite useful life are amortized on a straight-line basis, as the pattern of economic benefit of intangible assets cannot be reliably determined, over the estimated useful lives of the respective assets. The Company's amortizable intangible assets consist of permits and license, customer relationships, technical know-how and others with the following estimated useful lives.

Permits and license	5–10 years
Customer relationships	7 years
Technical know-how	3–12 years
Others	5–10 years

The estimated useful life is the period over which the intangible asset is expected to contribute directly or indirectly to the future cash flows of the Company.

The in-process research and development assets acquired in a business combination are accounted for as an indefinite- lived intangible asset until completion or abandonment of the associated research and development activities.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses for the years ended December 31, 2019, 2018 and 2017 were $11,734,590, $9,524,412 and $6,503,712, respectively. These expenses include the costs of the Company's internal research and development activities.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of comprehensive income in the period that includes the enactment date. A valuation allowance is provided to reduce the amount of deferred income tax assets if it is considered more likely than not that some portion or all of the deferred income tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

Employee Benefit Plans

Pursuant to relevant PRC regulations, the Company is required to make contributions to various defined contribution plans organized by municipal and provincial PRC governments. The contributions are made for each PRC employee at rates ranging from 25% to 43% on a standard salary base as determined by local social security bureau. Contributions to the defined contribution plans are charged to the consolidated statements of comprehensive income when the related service is provided. For the years ended December 31, 2019, 2018 and 2017, the costs of the Company's contributions to the defined contribution plans amounted to $5,941,209, $5,581,682, and $3,763,276, respectively.

The Company has no other obligation for the payment of employee benefits associated with these plans beyond the contributions described above.

Share-based Payment

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the cost over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. For graded vesting awards, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date.

Impairment of Long-lived Assets

Long-lived assets, including property, plant and equipment, land use rights and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Earnings per Share

Basic earnings per ordinary share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary share outstanding during the year using the two-class method. Under the two-class method, net income is allocated between ordinary share and other participating securities based on their participating rights in undistributed earnings. The Company's nonvested shares were considered participating securities since the holders of these securities participate in dividends on the same basis as ordinary shareholders. Diluted earnings per share is calculated by dividing net income attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary share equivalent, if any, by the weighted average number of ordinary share and dilutive ordinary share equivalent outstanding during the year. Potential dilutive securities are not included in the calculation of diluted earnings per share if the impact is anti-dilutive.

Segment Reporting

The Company uses the management approach in determining reportable operating segments. The management approach considers the internal reporting used by the chief operating decision maker for making operating decisions about the allocation of resources of the segment and the assessment of its performance in determining the Company's reportable operating segments. As a result of the business combination completed on January 1, 2018 as described in Note 3, the Company classified the reportable operating segments for the year ended December 31, 2019 and 2018 into (i) biopharmaceutical products and (ii) biomaterial products. Biopharmaceutical products currently include plasma products and placenta polypeptide. The Company had one operating segment, biopharmaceutical products segment, which included plasma-based products and placenta polypeptide for the years of 2017.

Substantially all of the Company's operations and customers are located in the PRC, and therefore, no geographic information is presented.

Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations and tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Disclosure will be made if an unfavorable outcome is determined to be reasonably possible but not probable, or if the amount of loss cannot be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. The original effective date for ASU 2014-09 would have required the Company to adopt beginning in its first quarter of 2017. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606) — Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. The new revenue standard may be applied retrospectively to each prior period presented ("full retrospective method) or retrospectively with the cumulative effect recognized as of the date of adoption ("modified retrospective method"). The Company applied the modified retrospective method to those contracts that are not completed contracts on January 1, 2018 upon adoption of ASU 2014-09. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue recognition, while prior period amounts are not adjusted and continue to be reported in accordance with ASC 605. The adoption of new revenue standard did not impact retained earnings as of January 1, 2018. There are no changes between the reported results under Topic 606 and those have been reported under legacy US GAAP.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements* ("ASU 2018-11"). The guidance modified lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and disclosing key information about leasing arrangements. The guidance is effective for public companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company adopted the guidance for financial statements periods beginning January 1, 2019 using the modified retrospective transition method and initially apply the transition provisions at January 1, 2019, which allows the Company to continue to apply the legacy guidance in ASC 840 for periods prior to 2019.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business* ("ASU 2017-01"), which changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. If substantially all of the fair value is concentrated in a single asset or a group of similar assets, the acquired set is not a business. If this is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Determining whether a set constitutes a business is critical because the accounting for a business combination differs significantly from that of an asset acquisition. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. ASU 2017-01 will be applied prospectively to any transactions occurring within the period of adoption. Early adoption is permitted, including for interim or annual periods in which the financial statements have not been issued or made available for issuance. The Company has adopted ASU 2017-01 from January 1, 2018 for the acquisition of TianXinFu (see Note 3).

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 of the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. As a result of ASU 2017-04, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and then recognize an impairment charge, as necessary, for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for fiscal years and interim periods within those years beginning after December 15, 2019, and early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company has early adopted ASU 2017-04 from January 1, 2018.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13)* ("ASU 2018-13"). ASU 2018-13 modifies certain disclosure requirements on fair value measurements, including (i) clarifying narrative disclosure regarding measurement uncertainty from the use of unobservable inputs, if those inputs reasonably could have been different as of the reporting date, (ii) adding certain quantitative disclosures, including (a) changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (b) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and (iii) removing certain fair value measurement disclosure requirements, including (a) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (b) the policy for timing of transfers between levels of the fair value hierarchy and (c) the valuation processes for Level 3 fair value measurements. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Company is currently evaluating the effect of the disclosure requirements of ASU 2018-13 will have on its consolidated financial statements and does not expect the impact to have a material effect.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ("ASU 2019-04"). ASU 2019-04 includes the codification improvements resulting from the June 11, 2018 and November 1, 2018 Credit Losses Transition Resource Group (TRG) Meetings and the codification improvements to Update 2016-13 *(Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments)*, etc. ASU 2019-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Based on the composition of the Company's investment portfolio, current market conditions, and historical credit loss activity, the adoption of ASU 2016- 13 and ASU 2019-04 is not expected to have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Tax (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12)* ("ASU 2019-12"). ASU 2019-12 removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the effect of the disclosure requirements of ASU 2019-12 will have on its consolidated financial statements and does not expect the impact to have a material effect.

NOTE 3 — BUSINESS COMBINATION

On October 12, 2017, the Company entered into a definitive agreement with PW Medtech Group Limited ("PWM"), a company listed on the Stock Exchange of Hong Kong Limited, to acquire 80% equity interest of TianXinFu in exchange for 5,521,000 ordinary shares of CBP. TianXinFu is a medical device company primarily engaging in the manufacturing and sale of regenerative medical biomaterial products, of which 80% equity interest was owned by PWM and 20% by a third party before this acquisition.

The Company completed the acquisition on January 1, 2018.

The transaction was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. The results of TianXinFu's operations have been included in the Company's consolidated financial statements since January 2, 2018. For the year ended December 31, 2018, total sales and net income for TianXinFu which have been included in the Company's consolidated financial statements were $44.7 million and $16.4 million, respectively.

The following table presents the amounts recognized for assets acquired and liabilities assumed for TianXinFu as of the acquisition date. The noncontrolling interest represents the fair value of the 20% equity interest not held by the Company:

	As of January 01, 2018 *USD*
Cash and cash equivalents	97,702,278
Accounts receivable	312,832
Inventories	2,745,771
Other current assets	283,824
Property, plant and equipment	6,522,447
Land use rights	4,135,141
Intangible assets	63,725,856
Deferred income tax assets	480,334
Current liabilities	(6,129,418)
Deferred income tax liabilities	(10,382,902)
Fair value of noncontrolling interest	(53,871,002)
Goodwill	329,364,009
Total purchase consideration	434,889,170

The intangible assets consist of customer relationship, technical know-how and in-process research and development assets. The fair values of the customer relationship of $54,956,664 and technical know-how of $7,514,256 are amortized over 7 years and 3–12 years, respectively on a straight line basis. The fair value of in-process research and development assets of $1,254,937 are indefinite-lived until the completion or abandonment of the associated research and development activities.

The estimated fair value of the noncontrolling interest in TianXinFu was determined by an independent valuer by using discount cash flow model.

The goodwill resulting from the business combination primarily attributed to the synergies and economic scale anticipated to be achieved from combining the operations of the Company and TianXinFu, and the assigned assembled workforce. None of the goodwill is expected to be deductible for income tax purpose.

As of the acquisition date, the goodwill acquired in the business combination was assigned to the biomaterial products segment of $182 million and to the biopharmaceutical products segment of $147 million.

The carrying amount of goodwill as of December 31, 2018 and 2019 was $313,588,803 and $308,509,397, respectively. The exchange difference during the years ended December 31,2018 and 2019 for goodwill was $15,775,206, and $5,079,406.

Unaudited Pro Forma Financial Information

The following unaudited pro forma consolidated financial information for the year ended December 31, 2017 are presented as if the acquisition had been consummated on January 1, 2017 after giving effect to purchase accounting adjustments. These pro forma results have been prepared for comparative purpose only and do not purport to be indicative of what operating results would have been had the acquisition actually taken place on the date indicated and may not be indicative of future operating results.

Unaudited pro forma consolidated statements of comprehensive income for the year ended December 31, 2017:

	December 31, 2017
	USD
Sales	412,248,989
Net income	100,749,486

NOTE 4 — ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2019 and 2018 consisted of the following:

	December 31, 2019	**December 31, 2018**
	USD	*USD*
Accounts receivable	101,379,309	126,352,173
Less: Allowance for doubtful accounts	(1,108,873)	(1,236,331)
Total	100,270,436	125,115,842

The activity in the allowance for doubtful accounts — accounts receivable for the years ended December 31, 2019, 2018 and 2017 are as follows:

	For the Years Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	USD	*USD*	*USD*
Beginning balance	1,236,331	590,991	533,596
Provisions	—	655,148	23,783
Reversal of allowance	(77,624)	—	—
Foreign currency translation adjustment	(49,834)	(9,808)	33,612
Ending balance	1,108,873	1,236,331	590,991

NOTE 5 — PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of December 31, 2019 mainly represented other receivables of $12,595,296, and prepayments of $7,181,729.

Prepayments and other current assets as of December 31, 2018 mainly represented other receivables of $15,897,405, prepayment to an investment bank for a share repurchase program of $10,000,000 and other prepayments of $9,081,680.

The activity in the allowance for doubtful accounts — prepayments and other receivables for the years ended December 31, 2019, 2018 and 2017 are as follows:

	For the Years Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	USD	*USD*	*USD*
Beginning balance	4,783,093	4,960,020	4,671,896
Provisions	—	96,267	—
Reversal of allowance	(24,959)	—	—
Foreign currency translation adjustment	(45,331)	(273,194)	288,124
Ending balance	4,712,803	4,783,093	4,960,020

NOTE 6 — INVENTORIES

Inventories at December 31, 2019 and 2018 consisted of the following:

	December 31, 2019	**December 31, 2018**
	USD	*USD*
Raw materials	106,799,042	124,408,741
Work-in-process	75,439,226	57,457,153
Finished goods	68,489,992	61,429,618
Total	250,728,260	243,295,512

Raw materials mainly comprised of human plasma collected from the Company's plasma collection stations. Work-in- process represented intermediate products in the process of production. Finished goods mainly comprised of plasma products. Provisions to write-down the carrying amount of inventories to its estimated net realizable value amounted to $3,379,600, nil and nil for the years ended December 31, 2019, 2018 and 2017, respectively, and were recorded as cost of sales in the consolidated statements of comprehensive income. As of December 31, 2019, there were approximately 19 tons of source plasma purchased from Xinjiang Deyuan, which were expected to go out of date and could not be put into production for lacking subsequent quarantine information, which was an essential requirement by the PRC government. Accordingly, management has accrued 100% write-down of these source plasma to its estimated net realizable value of nil.

NOTE 7 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2019 and 2018 consisted of the following:

	December 31, 2019 *USD*	**December 31, 2018** *USD*
Buildings	87,496,197	86,923,161
Machinery and equipment	124,893,555	111,797,936
Furniture, fixtures, office equipment and vehicles	12,616,722	11,670,963
Construction in progress	10,960,485	7,713,523
Total property, plant and equipment, gross	235,966,959	218,105,583
Accumulated depreciation	(58,459,783)	(42,447,406)
Impairment of property, plant and equipment	(2,045,875)	(2,060,844)
Total property, plant and equipment, net	175,461,301	173,597,333
Prepayment for property, plant and equipment	2,135,262	4,730,028
Property, plant and equipment, net	177,596,563	178,327,361

Loss on disposal of property, plant and equipment for the year ended December 31, 2019 was $297,504. As a result of the planned commencement of operation of the new facility, the Company disposed certain machinery and equipment in the old facility of Shandong Taibang and incurred a disposal loss of $1,001,000 and $3,228,845 for the years ended December 31, 2018 and 2017.

Depreciation expense for the years ended December 31, 2019, 2018 and 2017 was $16,517,254, $13,809,041 and $11,691,731, respectively. No interest expenses were capitalized into construction in progress for the years ended December 31, 2019, 2018 and 2017.

NOTE 8 — INTANGIBLE ASSETS

Intangible assets at December 31, 2019 and 2018 consisted of the following:

	December 31, 2019 *USD*	**December 31, 2018** *USD*
Permits and license	4,275,567	4,579,081
Customer relationship	51,473,394	52,320,870
Technical know-how	7,037,994	7,153,870
In-process research and development assets	751,102	1,194,740
Others	983,526	1,041,652
Total intangible assets	64,521,583	66,290,213
Accumulated amortization	(20,453,522)	(13,031,342)
Total intangible assets, net	44,068,061	53,258,871

Amortization expense for the years ended December 31, 2019, 2018 and 2017 was $8,116,160, $8,742,607 and $497,344, respectively.

The estimated annual amortization expense for intangible assets in each of the next five years is as follows:

For the Years Ended December 31,	Amount
	USD
2020	7,998,798
2021	7,987,360
2022	7,983,682
2023	7,925,391
2024	7,860,769
Total	39,756,000

NOTE 9 — RELATED PARTY TRANSACTIONS

Private Placement

On August 24, 2018, the Company entered into (i) a share purchase agreement with Beachhead Holdings Limited ("Centurium") and Double Double Holdings Limited ("DD"), which were then affiliated with two directors of the Company, Mr. David Hui Li and Mr. Joseph Chow, and is affiliated with Mr. David Hui Li, (ii) a share purchase agreement with PWM, the then largest shareholder of the Company with a director representative, Ms. Yue'e Zhang (iii) share purchase agreements with two third party investors, for the issuance and sale of 3,050,000, 800,000 and 2,000,000 ordinary shares of CBP at a per share purchase price of $100.9, respectively, to raise aggregate gross proceeds of approximately $590 million. The transaction was approved by a special committee formed by the board of directors of the Company, consisting of two independent directors. On the same date, CBP issued 1,800,000 ordinary shares to Centurium and 2,000,000 ordinary shares to two third party investors, pursuant to their respective share purchase agreements. On September 4, 2018, DD assigned its rights and obligations under the share purchase agreement to Centurium and CBP issued 1,250,000 additional ordinary shares to Centurium thereafter. On September 21, 2018, CBP issued 800,000 ordinary shares to PWM.

Long term equity investments

The Company's investments without readily determinable fair values are measured using the measurement alternative, defined by ASC Topic 321, *Investment-Equity Securities,* at cost, less impairments, and adjusted up or down based on observable price changes in orderly transactions for identical or similar investments of the same issuer. Any adjustments resulting from impairments and/or observable price changes will be recorded in consolidated statements of comprehensive income.

On November 28, 2018, the Company entered into a share transfer agreement with Smart Step Investments Limited ("Smart Step"), the then largest shareholder of Beijing Taijie Weiye Technology Co., Ltd. ("TJWY Medical"), pursuant to which the Company purchased approximately 11.55% equity interests of TJWY Medical from Smart Step in a cash consideration of $10,812,893. Pursuant to the share transfer agreement, the Company has the right (the "put option") to request Smart Step to redeem full or part of the equity interests in TJWY transferred at the original purchase price plus 6% compound interest rate per annum. Such put option can be exercised by the Company within 6 months from the third anniversary of the closing date of the transaction. The investment and put option are both accounted under ASC 321. The Company measured this put option at cost, less impairments. The carry amount of investment and put option are $10.0 million and $0.8 million based on the relative fair value upon completion of the transaction.

The Company paid 100% cash consideration on December 21, 2018. The transaction was completed on January 23, 2019.

TJWY Medical is a manufacturer of interventional products. The ultimate beneficial owner of Smart Step is the mother of Ms. Yue'e Zhang, a director of the Company.

No impairment loss was recognized by the Company for the year ended December 31, 2019.

Acquisition of Remaining 20% Equity Interest in TianXinFu

On June 28, 2019, Taibang Biotech (Shandong) Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with Fujian Pingtan Centurium Investment Partnership (Limited Partnership) and Xinyu Yongshuo Management and Consulting Partnership (Limited Partnership) to purchase 15% and 5%, respectively, of the equity interest in TianXinFu from such sellers for a total cash consideration of $118.9 million (the "TianXinFu Transaction"). The Company previously acquired 80% equity interest in TianXinFu in January 2018. Upon the completion of the TianXinFu Transaction, TianXinFu became an indirect wholly-owned subsidiary of the Company.

Fujian Pingtan Centurium Investment Partnership (Limited Partnership) is an affiliate of Centurium Capital, which beneficially owned approximately 25.2% of the Company's outstanding share capital as of March 9, 2020 and at the time of the TianXinFu Transaction was affiliated with two directors on the board of directors of the Company (the "Board"), Mr. Joseph Chow and Mr. David Hui Li.

According to ASC810, the TianXinFu Transaction is accounted for as an equity transaction, and is recognized by reducing the carrying amount of the noncontrolling interest by $55.1 million. The $63.8 million which represented excess of the cash paid ($118.9 million) over the carrying amount of the noncontrolling interest is recognized as a decrease in additional paid-in capital. In addition, the noncontrolling interest's share of accumulated other comprehensive income is adjusted by $5.2 million through a corresponding increase in additional paid-in capital.

NOTE 10 — LOAN RECEIVABLE

In August 2015, the Company entered into a cooperation agreement with Xinjiang Deyuan and the controlling shareholder of Xinjiang Deyuan ("Deyuan Shareholder"). Pursuant to the agreement, (i) Xinjiang Deyuan agreed to sell to Guizhou Taibang no less than 500 tonnes of source plasma in batches over the next three years, before July 31, 2018, and (ii) Guizhou Taibang agreed to provide Xinjiang Deyuan with an interest-bearing loan at an interest rate of 6% per annum with an aggregate principal amount of RMB300,000,000 (approximately $43,002,000). The loan was due July 31, 2018 and secured by a pledge of Deyuan Shareholder's 58.02% equity interest in Xinjiang Deyuan.

In August 2018, the Company extended this cooperation agreement with Xinjiang Deyuan and Deyuan Shareholder for another 3 years to purchase at least an additional 500 tonnes of source plasma and to extend the due date of the loan to July 31, 2021.The loan is secured by a pledge of Deyuan Shareholder's 58.02% equity interest in Xinjiang Deyuan. $3,716,055 and $3,784,297 of the loan principal was set off against the equivalent amount in accounts payable for purchase of plasma from Xinjiang Deyuan for the years ended December 31, 2019 and 2018, respectively.

Interest income of $2,162,210, $2,904,886 and $2,514,936 were recognized and nil, $695,757 and $2,514,936 were received in cash by Guizhou Taibang and $2,308,913, $2,062,426 and nil were set off against the equivalent amounts in accounts payable for the purchase of plasma from Xinjiang Deyuan for the years ended December 31, 2019, 2018 and 2017, respectively.

Since November 2019, Xinjiang Deyuan has significantly reduced the plasma volume delivered to the Company due to its operating cash shortfall and its disagreement with the Company regarding payment arrangements for purchase of plasma. As of the date of this report, the Company is still in negotiation with Xinjiang Deyuan and endeavoring to resolve the disagreement. As of December 31, 2019, no allowance was provided for the loan receivable considering the amount of loan receivable, the fair value of Deyuan shareholder's equity interest pledged in the cooperation agreement and the ability of assets realization and solvency of Xinjiang Deyuan.

NOTE 11 — LEASES

As of December 31, 2019, the Company has seven operating leases for land, warehouse and office with remaining terms expiring from 2020 through 2064 and a weighted average remaining lease term of 13.44 years. The Company has fair value renewal options for many of the Company's existing leases, none of which are considered reasonably certain of being exercised or included in the minimum lease term. Weighted average discount rates used in the calculation of the lease liability is 4.75%. The discount rates reflect the estimated incremental borrowing rate, which includes an assessment of the credit rating to determine the rate that the Company would have to pay to borrow, on a collateralized basis for a similar term, an amount equal to the lease payments in a similar economic environment.

Rent expense for the year ended December 31, 2019 was $906,670. There was no variable lease costs or sublease income for leased assets for the year ended December 31, 2019.

The impact of Topic 842 on the December 31, 2019 condensed consolidated balance sheet was as follows:

	December 31, 2019
	USD
Other non-current assets	5,566,093
Other payables and accrued expenses	1,172,158
Other liabilities	4,372,418
Total lease liabilities	5,544,576

Supplemental cash flow information related to leases was as follows:

	December 31, 2019
	USD
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows	827,089
Right of use assets obtained in exchange for lease obligations:	5,566,093

A maturity analysis of the Company's operating leases as of December 31, 2019 was as follows:

Future undiscounted cash flows:

	Amount
	USD
2020	1,410,155
2021	1,207,870
2022	1,211,943
Thereafter	2,468,904
Total	6,298,872
Discount factor	(754,296)
Lease liability	5,544,576
Amounts due within 12 months	1,172,158
Non-current lease liability	4,372,418

As previously disclosed in the consolidated financial statements for the year ended December 31, 2018 and under the previous lease standard (Topic 840), future minimum annual lease payments for the years subsequent to December 31, 2018 and in aggregate are as follows:

	Amount
	USD
2019	848,731
2020	938,551
2021	167,378
2022	4,095
Thereafter	170,297
Total minimum payments	2,129,052

Rent expense for the year ended December 31, 2018 was approximately $807,088.

NOTE 12 — OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses at December 31, 2019 and 2018 consisted of the following:

	December 31, 2019	**December 31, 2018**
	USD	*USD*
Payables to a potential investor(1)	8,723,540	8,574,254
Payable to Guizhou Eakan Investing Corp.(2)	2,087,030	2,121,392
Salaries and bonuses payable	26,439,393	23,543,535
Accruals for sales promotion fee	32,335,868	29,401,827
Payables for construction work	3,591,000	8,181,773
Other tax payables	1,802,797	1,456,184
Advance from customers(3)	7,631,941	9,101,834
Deposits received	3,120,134	7,463,172
Lease liability — current	1,172,158	—
Others	12,839,489	10,089,822
Total	99,743,350	99,933,793

(1) The payables to a potential investor comprises deposits received from a potential investor in the amount of $4,896,494 and $4,977,112 as of December 31, 2019 and 2018, respectively, and related interest plus penalty on these deposits totaling $3,827,046 and $3,597,142 as of December 31, 2019 and 2018, respectively.

(2) Guizhou Taibang has payables to Guizhou Eakan Investing Corp., amounting to approximately $2,087,030 and $2,121,392 as of December 31, 2019 and 2018, respectively. The Company borrowed this interest free advance for working capital purpose for Guizhou Taibang. The balance is due on demand. See Note 19.

(3) The change in advance from customers primarily represents cash received, less amounts recognized as sales during the year. All the advance from customers at December 31, 2018 was recognized in sales during the year ended December 31, 2019.

NOTE 13 — INCOME TAX

The Company and each of its subsidiaries file separate income tax returns.

The United States of America

China Biologic Products Inc. was originally incorporated on December 20, 1989 under the laws of the State of Texas as Shepherd Food Equipment, Inc. On November 20, 2000, Shepherd Food Equipment, Inc. changed its corporate name to Shepherd Food Equipment, Inc. Acquisition Corp., or Shepherd. Shepherd is the survivor of a May 28, 2003 merger between Shepherd and GRC Holdings, Inc., or GRC, a Texas corporation. In the merger, the surviving corporation adopted the articles of incorporation and bylaws of GRC and changed its corporate name to GRC Holdings, Inc. On January 10, 2007, a plan of conversion became effective pursuant to which GRC was converted into a Delaware corporation and changed its name to China Biologic Products, Inc.

With the completion of domiciliation to the Cayman Islands on July 21, 2017, China Biologic Products Inc. was merged with and into China Biologic Products Holdings, Inc., with China Biologic Products Holdings, Inc. as the surviving company.

China Biologic Products Holdings, Inc. continued to be a U.S. corporation for U.S. federal income tax purposes and is subject to U.S. federal corporate income tax at gradual rates of up to 35% for year 2017.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act'') was enacted. The Tax Act has made significant changes to the U.S. Internal Revenue Code, including the taxation of U.S. corporations, by, among other things, limiting interest deductions, reducing the U.S. corporate income tax rate, disallowing certain deductions that had previously been allowed, altering the expensing of capital expenditures, adopting elements of a territorial tax system, assessing a repatriation tax or "toll-charge'' on undistributed earnings and profits of U.S.-owned foreign corporations, and introducing certain anti-base erosion provisions. In 2017, the Company recorded a charge of approximately $40.3 million as a provisional amount for the repatriation tax on deemed repatriation to the United States of accumulated earnings. The charge for deemed repatriation will be payable by the Company over an eight-year period commencing April 2018. In 2019 and 2018, $1,993,310 and $3,250,000 repatriation tax were paid by the Company to the U.S. tax bureau.

In August 2018, based on additional implementation guidance issued by the U.S. Treasury Department and the Internal Revenue Service, the Company adjusted the provisional amount by reversing income tax payable and income tax expense of $7.5 million. The accounting for the income tax effect of the Tax Act has been completed.

The Company file U.S. federal income tax returns on a consolidated basis at a tax rate of 21% for the year of 2019.

Cayman Islands

Under the current laws of Cayman Islands, China Biologic Products Holdings, Inc. is not subject to tax on its income or capital gains.

British Virgin Islands

Taibang Biological is incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands (BVI), Taibang Biological is not subject to tax on income or capital gains. In addition, upon payments of dividends by Taibang Biological, no British Virgin Islands withholding tax is imposed.

Hong Kong

Taibang Holdings (Hong Kong) Limited ("Taibang Holdings'', formerly known as "Logic Holdings (Hong Kong) Limited'') is incorporated in Hong Kong and is subject to Hong Kong's profits tax rate of 16.5% for the years ended December 31, 2019, 2018 and 2017. Taibang Holdings did not earn any income that was derived in Hong Kong for the years ended December 31, 2019, 2018 and 2017.

Health Forward Holdings Limited ("Health Forward") is incorporated in Hong Kong and is subject to Hong Kong's profits tax rate of 16.5% for the years ended December 31, 2019 and 2018. Health Forward did not earn any income that was derived in Hong Kong for the years ended December 31, 2019 and 2018.

The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

PRC

The PRC's statutory income tax rate is 25%. The Company's PRC subsidiaries are subject to income tax at 25% unless otherwise specified.

In October 2014, Shandong Taibang obtained a notice from the Shandong provincial government that granted it the High and New Technology Enterprise certificate. This certificate entitled Shandong Taibang to enjoy a preferential income tax rate of 15% for a period of three years from 2014 to 2016. In December 2017, Shandong Taibang renewed its high and new technology enterprise qualification, which entitled it to enjoy a preferential income tax rate of 15% for a period of three years from 2017 to 2019. Shandong Taibang will apply for an additional three years from 2020 to 2022 upon the expiration of such certificate.

According to CaiShui [2011] No. 58 dated July 27, 2011, Guizhou Taibang, being a qualified enterprise located in the western region of the PRC, enjoys a preferential income tax rate of 15% effective retroactively from January 1, 2011 to December 31, 2020.

In September 2014, Guizhou Taibang obtained a notice from the Guizhou provincial government that granted it the High and New Technology Enterprise certificate. This certificate entitled Guizhou Taibang to enjoy a preferential income tax rate of 15% for a period of three years from 2014 to 2016. In November 2017, Guizhou Taibang renewed its high and new technology enterprise qualification, which entitled it to enjoy a preferential income tax rate of 15% for a period of three years from 2017 to 2019. Guizhou Taibang will apply for an additional three years from 2020 to 2022 upon the expiration of such certificate.

TianXinFu was recognized by Beijing provincial government as a high and new technology enterprise in 2009 and the latest renewal of its qualification was obtained in 2018, which entitled TianXinFu to enjoy a preferential income tax rate of 15% for a period of three years from 2018 to 2020.

The components of earnings (losses) before income tax expense by jurisdictions are as follows:

	For the Years Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	USD	*USD*	*USD*
PRC, excluding Hong Kong	202,870,388	175,225,854	171,787,763
U.S.	(12,932,509)	(11,303,223)	(28,866,395)
BVI	1,563,160	2,341,136	3,488,680
Hong Kong	(7,328)	(260,472)	(2,280)
Total	191,493,711	166,003,295	146,407,768

Income tax expense for the years ended December 31, 2019, 2018 and 2017 represents current income tax expense and deferred income tax (benefit)/expense:

	For the Years Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	USD	*USD*	*USD*
Current income tax expense — PRC	30,228,726	29,715,744	27,133,958
Current income tax expense — US	307,043	(7,519,674)	40,290,367
Deferred income tax benefit — PRC	(2,770,534)	(4,657,379)	(3,252,516)
Deferred income tax expense — US	333,290	497,489	—
Total income tax expense	28,098,525	18,036,180	64,171,809

The effective income tax rate based on income tax expense and earnings before income taxes reported in the consolidated statements of comprehensive income differs from the PRC statutory income tax rate of 25% due to the following:

	For the Years Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	(in percentage to earnings before income tax expense)		
PRC statutory income tax rate	25.0%	25.0%	25.0%
Non-deductible expenses:			
Share-based compensation	1.8%	1.4%	3.7%
Others	0.4%	0.9%	1.1%
Tax rate differential	(0.3)%	(0.5)%	(0.9)%
Effect of PRC preferential tax rate	(9.4)%	(9.0)%	(11.1)%
Bonus deduction on research and development expenses	(2.4)%	(2.3)%	(1.5)%
Change in valuation allowance	0.0%	0.4%	(0.6)%
Repatriation tax	—	(4.5)%	29.4%
Tax effect of equity method investment	0.2%	0.3%	(0.6)%
Excess tax benefits from stock option exercises	(0.6)%	(0.8)%	(0.7)%
Effective income tax rate	14.7%	10.9%	43.8%

The PRC tax rate has been used because the majority of the Company's consolidated pre-tax earnings arise in the PRC.

As of December 31, 2019 and 2018, significant temporary differences between the tax basis and financial statement basis of assets and liabilities that gave rise to deferred taxes were principally related to the following:

	December 31, 2019 *USD*	December 31, 2018 *USD*
Deferred income tax assets arising from:		
— Accrued expenses	8,982,660	7,587,118
— Deferred income	177,383	213,086
— Property, Plant and Equipment	1,079,536	1,149,033
— Other non-current assets	190,440	158,607
— Tax loss carryforwards	3,120,172	4,300,813
Gross deferred income tax assets	13,550,191	13,408,657
Less: valuation allowance	(3,120,172)	(4,300,813)
Net deferred income tax assets	10,430,019	9,107,844
Deferred income tax liabilities arising from:		
— Property, plant and equipment	(115,677)	(129,636)
— Intangible assets	(6,575,677)	(7,947,786)
— Land use rights	(529,090)	(552,602)
— Equity method investment	(830,779)	(497,489)
— Dividend withholding tax	(3,774,778)	(3,774,778)
Deferred income tax liabilities	(11,826,001)	(12,902,291)
Classification on consolidated balance sheets:		
Deferred income tax assets, included in other non-current assets	10,430,019	9,107,844
Deferred income tax liabilities, included in other liabilities	(11,826,001)	(12,902,291)

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilized. Management considers the scheduled reversal of deferred income tax liabilities (including the impact of available carryforwards periods), projected future taxable income, and tax planning strategies in making this assessment.

The deferred income tax assets of $3,120,172 for tax loss carry forwards as of December 31, 2019 represented tax loss carryforwards of certain PRC subsidiaries. For PRC income tax purposes, these PRC subsidiaries had tax loss carryforwards of $14,696,748, of which $4,136,265, $4,568,923, $716,377, $4,076,401 and $1,198,782 would expire by 2020, 2021, 2022, 2023 and 2024, respectively, if unused. In view of their cumulative losses positions, management determined it is more likely than not that deferred income tax assets of these PRC subsidiaries will not be realized, and therefore full valuation allowances of $3,120,172 and $4,300,813 were provided as of December 31, 2019 and 2018, respectively.

For United States federal income tax purposes, CBP had nil tax loss carry forwards as of December 31, 2019 and 2018. All tax loss brought forwards of CBP has been utilized by December 31, 2017 as a result of the repatriation tax on deemed repatriation of accumulated earnings to the United States.

The following table presents the movement of the valuation allowance for deferred income tax assets for the years ended December 31, 2019, 2018 and 2017:

	For the Years Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
	USD	*USD*	*USD*
Beginning balance	4,300,813	5,031,657	26,629,179
Addition (deduction) during the year	(1,123,767)	(507,897)	(21,927,117)
Foreign currency translation adjustment	(56,874)	(222,947)	329,595
Ending balance	3,120,172	4,300,813	5,031,657

According to the prevailing PRC income tax law and relevant regulations, dividends relating to earnings accumulated beginning on January 1, 2008 that are received by non-PRC-resident enterprises from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or similar arrangement. Dividends relating to undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax. Further, dividends received by the Company from its overseas subsidiaries are subject to the U.S. federal income tax less any qualified foreign tax credits. Based on the dividend policy the Company has provided the deferred income tax liabilities of $7,351,023 on undistributed earnings of $74 million, approximately 50% of Shandong Taibang's total undistributed earnings at December 31, 2014. The balance of the deferred income tax liabilities was reduced by $2,310,512 during the year ended December 31, 2018 when the dividends of RMB148,760,000 (approximately $21,674,332) was distributed to Taibang Holdings (Hong Kong) Limited by Taibang Biotech (Shandong) Co., Ltd.. Due to the Company's plan and intention of reinvesting its earnings in its PRC business, the Company has not provided for the related deferred income tax liabilities on the remaining undistributed earnings of the PRC subsidiaries totaling $806.2 million as of December 31, 2019.

As of January 1, 2017 and for each of the years ended December 31, 2019, 2018 and 2017, the Company and its subsidiaries did not have any unrecognized tax benefits, and therefore no interest or penalties related to unrecognized tax benefits were accrued. The Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12 months.

The Company and each of its PRC subsidiaries file income tax returns in the United States and the PRC, respectively. The Company is subject to U.S. federal income tax examination by tax authorities for tax years beginning in 2007. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances where the underpayment of taxes is more than RMB100,000 (approximately $14,334). In the case of transfer pricing issues, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. The PRC tax returns for the Company's PRC subsidiaries are open to examination by the PRC tax authorities for the tax years beginning in 2013.

NOTE 14 — OPTIONS AND NONVESTED SHARES

Options

Effective May 9, 2008, the Board of Directors adopted the China Biologic 2008 Equity Incentive Plan, ("the 2008 Plan"). The 2008 Plan provides for grants of stock options, stock appreciation rights, performance units, restricted stock, restricted stock units and performance shares. A total of five million shares of the Company's ordinary share may be issued pursuant to the 2008 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than the fair market value per share on the grant date, except that, in the case of an incentive stock option granted to a person who holds more than 10% of the total combined voting power of all classes of the Company's stock or any of its subsidiaries, the exercise price will be no less than 110% of the fair market value per share on the grant date. All the options to be granted will have 10-year terms. The 2008 Plan expired on May 9, 2018 and all ordinary shares reserved under the 2008 Plan had been granted.

For the years ended December 31, 2019, 2018 and 2017, no stock options to purchase ordinary share were granted to any directors or employees.

A summary of stock options activity for the years ended December 31, 2019, 2018 and 2017 is as follows:

	Number of Options	Weighted Average Exercise Price *USD*	Weighted Average Remaining Contractual Term in years	Aggregate Intrinsic Value *USD*
Outstanding as of January 1, 2017	314,491	10.32	3.84	30,568,083
Granted	—	—		
Exercised	(85,242)	10.18		(7,868,258)
Forfeited and expired	—	—		
Outstanding as of December 31, 2017	229,249	10.37	2.61	15,168,276
Granted	—	—		
Exercised	(121,945)	9.71		(9,137,231)
Forfeited and expired	—	—		
Outstanding as of December 31, 2018	107,304	11.13	2.28	7,570,681
Granted	—	—		
Exercised	(49,900)	12.26		(3,910,884)
Forfeited and expired	—	—		
Outstanding as of December 31, 2019	57,404	10.14	1.93	4,106,623
Vested as of December 31, 2019	57,404	10.14	1.93	4,106,623
Exercisable as of December 31, 2019	57,404	10.14	1.93	4,106,623

For the years ended December 31, 2019, 2018 and 2017, no stock compensation expense relating to stock options was recorded in general and administrative expenses by the Company.

Nonvested shares

For the years ended December 31, 2019, 2018 and 2017, nonvested shares were granted to certain directors and employees (collectively, the "Participant"). Pursuant to the nonvested share grant agreements between the Company and the Participant, the Participant will have all the rights of a shareholder with respect to the nonvested shares. The nonvested shares granted to directors generally vest in one or two years. The nonvested shares granted to employees generally vest in four years.

A summary of nonvested shares activity for the year ended December 31, 2019, 2018 and 2017 is as follow:

	Number of nonvested shares	Grant date weighted average fair value
		USD
Outstanding as of January 1, 2017	912,650	104.51
Granted	356,150	89.94
Vested	(353,694)	91.32
Forfeited	(1,080)	98.20
Outstanding as of December 31, 2017	914,026	103.95
Granted	333,620	79.23
Vested	(256,830)	100.91
Forfeited	(385,425)	98.86
Outstanding as of December 31, 2018	605,391	94.85
Granted	—	—
Vested	(244,481)	100.93
Forfeited	(6,300)	96.71
Outstanding as of December 31, 2019	354,610	90.63

For the years ended December 31, 2019, 2018 and 2017, the Company recorded stock compensation expense in the amount of $22,317,649, $23,130,570 and $33,903,283 relating to nonvested shares in general and administrative expenses, respectively.

As of December 31, 2019, approximately $21,964,345 of stock compensation expense with respect to nonvested shares is to be recognized over weighted average period of approximately 1.72 years.

Restricted share units

Effective May 10, 2019, the Board of Directors adopted the China Biologic 2019 Equity Incentive Plan, ("the 2019 Plan"). The 2019 Plan provides for grants of stock options, restricted shares, restricted share units, share appreciation rights, and other share-based awards. A maximum of 1,650,000 Shares will be available for issuance under the 2019 Plan. The shares may be authorized and unissued Shares or shares now held or subsequently acquired by the Company. For the years ended December 31, 2019, restricted share units were granted to certain directors and employees (collectively, the "Participant"). Pursuant to the restricted share units grant agreements between the Company and the Participant, the Participant will not have any of the rights of a shareholder with respect to the restricted share units until vested. The restricted share units granted to directors generally vest in one or two years. The restricted share units granted to employees generally vest in four years.

A summary of restricted share units activity for the year ended December 31, 2019 is as follow:

	Number of restricted share units	Grant date weighted average fair value
		USD
Outstanding as of January 1, 2019	—	—
Granted	407,786	96.78
Vested	—	—
Forfeited	—	—
Outstanding as of December 31, 2019	407,786	96.78

For the years ended December 31, 2019, the Company recorded stock compensation expense in the amount of $4,282,366 relating to restricted share units in general and administrative expenses.

As of December 31, 2019, approximately $35,183,796 of stock compensation expense with respect to restricted shares units is to be recognized over weighted average period of approximately 3.50 years.

NOTE 15 — STATUTORY RESERVES

The Company's PRC subsidiaries are required to allocate at least 10% of its after tax profits as determined under generally accepted accounting principles in the PRC to its statutory surplus reserve until the reserve balance reaches 50% of respective registered capital. For the years ended December 31, 2019, 2018 and 2017, the Company's PRC subsidiaries made appropriations to the reserve fund of $1,393,320, $18,844,626 and $5,051, respectively. The accumulated balance of the statutory reserve as of December 31, 2019 and 2018 was $54,751,734 and $53,358,414, respectively.

NOTE 16 — FAIR VALUE MEASUREMENTS

Financial assets and liabilities of the Company primarily comprise of cash and cash equivalents, time deposits, short term investments, accounts receivable, other receivables, loan receivable, accounts payable, and other payables and accrued expenses. Management used the following methods and assumptions to estimate the fair value of financial assets and liabilities at the relevant balance sheet dates:

Fair Value of Financial Instruments

Short term financial assets and liabilities (including cash and cash equivalents, time deposits, accounts receivable, loan receivable, other receivables,accounts payable, and other payables and accrued expenses) — The carrying amounts of the short term financial assets and liabilities approximate their fair values because of the short maturity of these instruments.

Loan receivable — The carrying amounts of loan receivable approximate their fair value. The fair value is estimated using discounted cash flow analysis based on the borrower's incremental borrowing rates for similar borrowing.

Recurring Fair Value Measurements

The Company elects the fair value option to account for short term investments. The Company values its short term investments using the effective interest method with inputs of annualized rate of return provided by issuing banks. The annualized rate of return range from 2.80% to 4.00% depending on the amount and time period invested. The Company classifies the valuation techniques that use these inputs as Level 2.

NOTE 17 — SHARE REPURCHASE

On November 1, 2018, the Company announced a share repurchase program, which was approved by the Board of Directors on October 30, 2018. Under the share repurchase program, CBP may repurchase up to $100 million worth of shares over 6 months following the date of approval.

In late April 2019, the Company completed the share repurchase program previously authorized by its board of directors in 2018, having repurchased an aggregate of 1,074,376 shares for a total consideration of $100 million.

In May 2019, the Company's board of directors authorized an additional share repurchase program under which the Company may repurchase up to $150 million worth of shares over a 12-month period. As of December 31, 2019, the Company had repurchased 121,852 shares for a total consideration of $11.0 million under this program.

NOTE 18 — SALES

The Company's sales by product categories for the years ended December 31, 2019, 2018 and 2017 are as follows:

	For the Years Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	USD	*USD*	*USD*
Plasma products:			
Human Albumin	187,835,401	149,369,846	132,498,791
Immunoglobulin products:			
Human Immunoglobulin for Intravenous Injection	117,147,536	113,490,790	117,511,797
Other Immunoglobulin products	72,071,759	59,470,912	50,147,328
Others	53,706,467	31,677,439	21,049,636
Placenta Polypeptide	26,977,805	68,157,257	49,199,288
Biopharmaceutical products	457,738,968	422,166,244	370,406,840
Artificial Dura Mater	42,275,272	40,644,561	—
Others	3,730,682	4,066,764	—
Biomaterial products	46,005,954	44,711,325	—
Total	503,744,922	466,877,569	370,406,840

The Company's sales by channel for the years ended December 31, 2019, 2018 and 2017 are as follows:

	For the Years Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	USD	*USD*	*USD*
Plasma products:			
Distributors	220,149,266	174,698,620	126,381,596
Hospitals and inoculation centers	210,611,897	179,310,367	194,825,956
	430,761,163	354,008,987	321,207,552
Placenta Polypeptide:			
Distributors	26,977,805	68,157,257	49,199,288
Total Biopharmaceutical products	457,738,968	422,166,244	370,406,840
Biomaterial products			
Distributors	43,774,081	42,717,750	—
Hospitals	2,231,873	1,993,575	—
Total Biomaterial products	46,005,954	44,711,325	—
Total	503,744,922	466,877,569	370,406,840

NOTE 19 — COMMITMENTS AND CONTINGENCIES

Commitments

As of December 31, 2019, commitments outstanding for the purchase of property, plant and equipment approximated $11,021,364.

As of December 31, 2019, commitments outstanding for the purchase of plasma approximated $33,659,897.

The following table sets forth the Company's material contractual obligations as of December 31, 2019:

	Payments due by period				
Contractual Obligations	**Less than one year**	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**
Purchase of plasma commitment[(1)]	17,633,688	16,026,209	—	—	—
Capital commitment	9,919,228	1,102,136	—	—	—
Total	27,552,916	17,128,345	—	—	—

(1) See Note 10.

Legal proceedings

PRC Lawsuit

— *Dispute with an Individual over a Due-on-demand Loan of Guizhou Taibang*

In June 2017, an individual brought a lawsuit against Guizhou Taibang and Guizhou Eakan Investing Corp. ("Guizhou Eakan"), an entity affiliated with one of Guizhou Taibang's former noncontrolling shareholders, requesting repayment of RMB14,560,000 (approximately $2,087,030) and related fund possession cost amounting to approximately RMB37,141,600 (approximately $5,323,877). The plaintiff alleged that he entered into an agreement with Guizhou Eakan in May 2007, according to which he provided RMB14,560,000 for Guizhou Eakan to satisfy Guizhou Taibang's loan request.

On February 28, 2018, the trial was set in Shanghai Pudong New Area People's Court. In March 2018, the court dismissed the trial for lack of jurisdiction and then transferred the trial to Shanghai No.1 Intermediate People's Court ("No.1 Court").

On December 26, 2019, the plaintiff applied for withdrawal of action. The No.1 Court granted approval of the plaintiff's application on December 27, 2019.

As of December 31, 2019, Guizhou Taibang has maintained RMB14,560,000 (approximately $2,087,030) payable to Guizhou Eakan on its balance sheet.

— *Dispute with an Individual over Capital Injection into Guizhou Taibang*

In January 2019, another individual who claimed to be a strategic investor of Guizhou Taibang brought a lawsuit against Guizhou Taibang, requesting to register her alleged ownership interest in Guizhou Taibang with the local Administration for Market Regulation ("AMR", formerly known as the Administration of Industry and Commerce). The plaintiff alleged that she entered into an Equity Purchase Agreement with Guizhou Taibang in May 2007, according to which she paid RMB11,200,000 (approximately $1,605,408) to Guizhou Taibang in exchange for approximately 4.71% of Guizhou Taibang's equity interests.

On March 14, 2019, Shanghai Xuhui District People's Court notified Guiyang Dalin Biologic Technologies Co., Ltd., requesting its participation in the action as a third party in the case. On January 2, 2020, the plaintiff applied for withdrawal of action. Shanghai Xuhui District People's Court granted approval of the plaintiff's application on January 2, 2020.

— *Dispute with an Individual over a Technical Cooperation Development Contract of TianXinFu*

On March 20, 2015, an individual brought a lawsuit against TianXinFu, alleging that he was entitled to 15% of the profits of TianXinFu from selling biomaterial products during the period from January 1, 2000 to August 31, 2014 pursuant to a technical cooperation development contract and other related agreements. The plaintiff requested the payment of RMB10,000,000 by TianXinFu.

On October 15, 2019, Beijing Dongcheng People's Court ruled that TianXinFu should pay RMB10,000,000 to the plaintiff.

In October 2019, TianXinFu filed an appeal to the Beijing Intellectual Property Court and the first-instance judgment ruled by the Beijing Dongcheng People's Court is not yet in force accordingly. As of the reporting date, no loss contingency regarding this lawsuit was accrued since it is not probable that a liability will incur and the amount of loss cannot be reasonably estimated.

Cayman Lawsuit

On August 27, 2018, the Company's former Chairman and CEO Mr. David (Xiaoying) Gao commenced a proceeding against the Company in the Grand Court of the Cayman Islands (the "Court"), principally seeking (a) a declaration that the private placement that was announced by the Company on August 24, 2018 was invalid and void, (b) an order requiring the Company to reverse and/or rescind any transactions carried out pursuant to the private placement, and (c) an injunction to prevent further shares from being issued by the Company to the entities participating in the private placement. The private placement was completed on September 21, 2018. On October 5, 2018, the Company made an application to the Court for dismissal of Mr. Gao's lawsuit on the ground, among others, that Mr. Gao lacked standing to pursue the claims. On December 13, 2018, the Court granted the Company's application and dismissed Mr. Gao's lawsuit. On December 21, 2018, the Court granted Mr. Gao leave to appeal its December 13, 2018 order. Pursuant to the Cayman Islands Court of Appeal Rules, Mr. Gao was required to lodge a Notice of Appeal within 14 days of being granted leave to appeal. As of the date of this report, the Court of Appeal had no record of a Notice of Appeal relating to this case, and the Company has not been served with a Notice of Appeal or any further documents relating to this litigation.

NOTE 20 — EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated:

	For the Years Ended		
	December 31, 2019 *USD*	**December 31, 2018** *USD*	**December 31, 2017** *USD*
Net income attributable to China Biologic Products Holdings, Inc.	138,807,748	128,056,302	67,943,035
Earnings allocated to participating nonvested shares	(1,690,519)	(3,072,170)	(2,188,633)
Net income used in basic and diluted earnings per ordinary share	137,117,229	124,984,132	65,754,402
Weighted average shares used in computing basic earnings per ordinary share	38,657,553	35,304,294	27,361,561
Diluted effect of stock option and restricted share units	240,411	128,665	244,062
Weighted average shares used in computing diluted earnings per ordinary share	38,897,964	35,432,959	27,605,623
Basic earnings per ordinary share	3.55	3.54	2.40
Diluted earnings per ordinary share	3.53	3.53	2.38

During the years ended December 31, 2019, 2018 and 2017, no potential ordinary shares outstanding were excluded from the calculation of diluted earnings per ordinary share.

NOTE 21 — CHINA BIOLOGIC PRODUCTS HOLDINGS, INC. (PARENT COMPANY)

The following represents condensed unconsolidated financial information of the Parent Company only:

Condensed Balance Sheets:

	December 31, 2019 *USD*	December 31, 2018 *USD*
Cash	80,745,824	175,133,834
Time deposits	432,000,000	430,000,000
Prepayments and prepaid expenses	2,443,868	12,140,443
Total Current Assets	515,189,692	617,274,277
Property, plant and equipment, net	49	88
Investment in and amounts due from subsidiaries	1,214,913,704	1,139,337,487
Total Assets	1,730,103,445	1,756,611,852
Other payables and accrued expenses	5,723,648	4,544,071
Income tax payable — current	2,928,698	2,621,655
Total Current Liabilities	8,652,346	7,165,726
Income tax payable — non current	24,905,728	26,899,038
Other liabilities	830,779	497,489
Total Liabilities	34,388,853	34,562,253
Total Shareholders' Equity	1,695,714,592	1,722,049,599
Total Liabilities and Shareholders' Equity	1,730,103,445	1,756,611,852

Condensed Statements of Comprehensive Income:

	For the Years Ended		
	December 31, 2019 *USD*	December 31, 2018 *USD*	December 31, 2017 *USD*
Equity in income of subsidiaries	152,380,590	132,337,339	137,099,797
General and administrative expenses	(25,944,997)	(16,575,019)	(28,879,890)
Interest income	13,012,488	5,271,797	13,495
Earnings before income tax expense	139,448,081	121,034,117	108,233,402
Income tax (benefits)/expense	640,333	(7,022,185)	40,290,367
Net Income	138,807,748	128,056,302	67,943,035

Condensed Statements of Cash Flows:

	For the Years Ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	USD	*USD*	*USD*
Net cash provided by/(used in) operating activities	8,008,005	(6,211,606)	(3,830,330)
Net cash used in investing activities	(2,000,000)	(404,812,895)	(3,000,000)
Net cash (used in)/provided by financing activities	(100,396,015)	581,449,534	—
Net (decrease)/increase in cash	(94,388,010)	170,425,033	(6,830,330)
Cash at beginning of year	175,133,834	4,708,801	11,539,131
Cash at end of year	80,745,824	175,133,834	4,708,801

NOTE 22 — SEGMENT INFORMATION

The Company's principal operating segments coincide with the types of products to be sold. The products from which revenues are derived are consistent with the reporting structure of the Company's internal organization. The Company's reportable segments for the years ended December 31, 2019 and 2018 were biopharmaceutical products and biomaterial products as a result of the acquisition of TianXinFu completed on January 1, 2018 as described in Note 3. The Company had one operating segment, biopharmaceutical products segment, which included plasma-based products and placenta polypeptide for the year of 2017.

The Company's chief operating decision-maker ("CODM") has been identified as the chief executive officer. The CODM regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. There are no inter-segment revenue transactions and, therefore, revenues are only generated from external customers.

The accounting policies of the segments are the same as those used by the Company.

Segment information for the years ended and as of December 31, 2019 and December 31, 2018 are as follows:

	Biopharmaceutical Products	**Biomaterial Products**	**Total**
	USD	*USD*	*USD*
Year ended December 31, 2019			
Sales	457,738,968	46,005,954	503,744,922
Cost of sales	170,119,887	4,546,657	174,666,544
Gross profit	287,619,081	41,459,297	329,078,378
Income from operations	146,889,589	16,758,294	163,647,883
Net income	138,237,792	25,157,394	163,395,186
Equity in income of an equity method investee	1,587,067	—	1,587,067
Interest income	21,292,269	29,970	21,322,239
Share-based compensation	26,600,015	—	26,600,015
Depreciation and Amortization	17,729,392	8,511,479	26,240,871
Segment assets	2,195,660,575	368,932,329	2,564,592,904
Capital expenditures	22,966,579	3,826,444	26,793,023
Equity method investment	16,725,513	—	16,725,513

	Biopharmaceutical Products *USD*	Biomaterial Products *USD*	Total *USD*
Year ended December 31, 2018			
Sales	422,166,244	44,711,325	466,877,569
Cost of sales	141,683,089	5,104,147	146,787,236
Gross profit	280,483,155	39,607,178	320,090,333
Income from operations	128,980,355	17,192,396	146,172,751
Net income	131,561,108	16,406,007	147,967,115
Equity in income of an equity method investee	2,368,995	—	2,368,995
Interest income	13,704,954	1,796	13,706,750
Share-based compensation	23,130,570	—	23,130,570
Depreciation and Amortization	13,902,507	9,322,844	23,225,351
Income tax expense	15,353,208	2,682,972	18,036,180
Segment assets	2,095,996,321	348,885,628	2,444,881,949
Capital expenditures	35,245,016	1,471,374	36,716,390
Equity method investment	15,428,028	—	15,428,028

Reconciliation of segment assets to consolidated total assets:

	December 31, 2019 *USD*	December 31, 2018 *USD*
Total segment assets	2,564,592,904	2,444,881,949
Elimination of intercompany investment balances	(626,734,407)	(434,903,268)
Consolidated total assets	1,937,858,497	2,009,978,681

As substantially all of the Company's revenue is derived from the PRC and substantially all of the Company's long-lived assets are located in the PRC, no geographical information is presented. In addition, revenue derived from and long-lived assets located in Cayman Islands, the Company's country of domicile, are immaterial.

NOTE 23 — SUBSEQUENT EVENTS

Because of the outbreak of coronavirus in China from January, the Company has closed all plasma collection stations since late January, and most plasma collection stations were approved by local government to commence collection operation as of the date of this report. Due to the mechanism of the Company's production cycle, the impact of the reduced collection volume of raw material, plasma, would be reflected in the second half year of 2020 or in the next year. However, the outbreak has a positive impact on the sales of certain plasma products.

The Company will continue to monitor and modify the operating strategies. Given the dynamic nature of these circumstances, the reduced collection volume of plasma, the increased sales volume of certain plasma products and related financial impact cannot be reasonably estimated at this time.

(4) The following is an extract of the unaudited financial statements of CBPO for the three and six months ended June 30, 2020, which were prepared in accordance with U.S. GAAP, from the quarterly report of CBPO for its fiscal quarter ended June 30, 2020.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2020 *USD*	**December 31, 2019** *USD*
ASSETS		
Current Assets		
Cash and cash equivalents	545,137,430	161,750,425
Time deposits	20,967,792	497,676,069
Short term investments	474,864,844	267,830,790
Accounts receivable, net of allowance for doubtful accounts	114,636,338	100,270,436
Inventories	225,577,753	250,728,260
Prepayments and other current assets	21,335,033	21,469,418
Total Current Assets	1,402,519,190	1,299,725,398
Property, plant and equipment, net	172,368,672	177,596,563
Intangible assets, net	39,516,491	44,068,061
Land use rights, net	28,260,837	28,458,944
Equity method investment	15,151,878	16,725,513
Long term equity investments	10,812,893	10,812,893
Loan receivable	35,122,650	35,642,340
Goodwill	304,011,108	308,509,397
Other non-current assets	16,660,772	16,319,388
Total Assets	2,024,424,491	1,937,858,497
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	9,354,604	6,262,256
Income tax payable	14,176,278	13,303,085
Other payables and accrued expenses	100,370,255	99,743,350
Total Current Liabilities	123,901,137	119,308,691
Deferred income	2,031,352	2,300,428
Non-current income tax payable	22,284,072	24,905,728
Other liabilities	17,121,948	16,491,793
Total Liabilities	165,338,509	163,006,640

	June 30, 2020 *USD*	December 31, 2019 *USD*
Shareholders' Equity		
Ordinary share:		
par value $0.0001; 100,000,000 shares authorized; 42,034,809 and 41,910,701 shares issued at June 30, 2020 and December 31, 2019, respectively; 38,583,877 and 38,459,769 shares outstanding at June 30, 2020 and December 31, 2019, respectively	4,203	4,191
Additional paid-in capital	1,172,202,322	1,158,274,206
Treasury share: 3,450,932 shares at June 30, 2020 and 3,450,932 at December 31, 2019, respectively, at cost	(167,432,883)	(167,432,883)
Retained earnings	862,356,620	773,290,486
Accumulated other comprehensive losses	(87,467,824)	(68,421,408)
Total equity attributable to China Biologic Products Holdings, Inc.	1,779,662,438	1,695,714,592
Noncontrolling interest	79,423,544	79,137,265
Total Shareholders' Equity	1,859,085,982	1,774,851,857
Commitments and contingencies	—	—
Total Liabilities and Shareholders' Equity	2,024,424,491	1,937,858,497

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	USD	*USD*	*USD*	*USD*
Sales:				
Plasma products:	111,112,381	135,696,199	273,703,774	265,480,266
Human Albumin				
Immunoglobulin products:	42,425,977	48,909,671	83,922,761	105,722,460
Human Immunoglobulin for Intravenous Injection	17,245,114	27,378,416	95,455,143	56,422,596
Other Immunoglobulin products	20,732,209	19,025,521	34,287,223	32,114,741
Others	12,668,424	15,639,597	29,145,538	25,509,605
Placenta Polypeptide	4,459,116	11,314,880	7,738,081	18,973,870
Biopharmaceutical products	97,530,840	122,268,085	250,548,746	238,743,272
Artificial Dura Mater	12,954,955	12,567,201	21,999,370	24,881,234
Others	626,586	860,913	1,155,658	1,855,760
Biomaterial products	13,581,541	13,428,114	23,155,028	26,736,994
Cost of sales	34,738,039	44,793,259	96,340,432	89,033,704
Gross profit	76,374,342	90,902,940	177,363,342	176,446,562
Operating expenses				
Selling expenses	14,413,905	25,642,174	28,874,015	44,370,433
General and administrative expenses	16,440,301	14,658,433	33,201,414	35,255,993
Research and development expenses	2,828,602	2,431,379	4,571,144	4,762,204
Income from operations	42,691,534	48,170,954	110,716,769	92,057,932
Other income (expenses)				
Equity in (loss)/income of an equity method investee	(555,499)	851,981	(1,341,679)	1,445,011
Interest expense	(73,866)	(125,032)	(178,768)	(188,809)
Interest income	2,687,216	5,920,033	7,216,217	12,445,872
Other income, net	2,406,844	1,981,106	4,601,284	3,581,482
Total other income, net	4,464,695	8,628,088	10,297,054	17,283,556

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	USD	*USD*	*USD*	*USD*
Income before income tax expense	47,156,229	56,799,042	121,013,823	109,341,488
Income tax expense	6,596,604	8,161,639	18,219,525	16,080,081
Net income	40,559,625	48,637,403	102,794,298	93,261,407
Less: Net income attributable to noncontrolling interest	4,877,900	6,990,249	13,728,164	13,922,146
Net income attributable to China Biologic Products Holdings, Inc.	35,681,725	41,647,154	89,066,134	79,339,261
Earnings per share of ordinary share:				
Basic	0.92	1.07	2.29	2.01
Diluted	0.91	1.06	2.27	2.01
Weighted average shares used in computation:				
Basic	38,519,992	38,496,323	38,513,676	38,911,830
Diluted	38,962,048	38,586,250	38,964,735	39,003,195
Net income	40,559,625	48,637,403	102,794,298	93,261,407
Other comprehensive income/(losses):				
Foreign currency translation adjustment, net of nil income taxes	1,059,428	(27,689,871)	(20,122,049)	(3,373,450)
Comprehensive income	41,619,053	20,947,532	82,672,249	89,887,957
Less: Comprehensive income attributable to noncontrolling interest	4,936,485	3,369,049	12,652,531	12,121,308
Comprehensive income attributable to China Biologic Products Holdings, Inc.	36,682,568	17,578,483	70,019,718	77,766,649

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended	
	June 30, 2020	**June 30, 2019**
	USD	*USD*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	102,794,298	93,261,407
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,264,084	7,983,092
Amortization	4,939,901	4,527,682
Loss on disposal of property, plant and equipment	10,096	82,137
Fair value changes of short term investments	(1,529,697)	(2,288,576)
Allowance for doubtful accounts — accounts receivable	495,274	430,927
Reversal of doubtful accounts — prepayments and other receivables	(2,897)	(19,560)
Deferred income tax benefit	(811,372)	(2,054,341)
Share-based compensation	13,627,693	12,791,884
Equity in loss/(income) of an equity method investee	1,341,679	(1,445,011)
Change in operating assets and liabilities:		
Accounts receivable	(16,872,471)	(15,232,984)
Inventories	21,983,643	(3,923,388)
Prepayments and other current assets	1,370,615	2,687
Accounts payable	3,207,773	(4,500,433)
Income tax payable	1,075,245	3,558,375
Other payables and accrued expenses	(1,565,206)	3,297,026
Deferred income	(237,335)	(245,956)
Non-current income tax payable	(2,621,656)	(1,993,310)
Net cash provided by operating activities	135,469,667	94,231,658
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of time deposits	(651,415,200)	(908,002,883)
Proceeds from maturity of time deposits	1,127,127,492	920,485,867
Purchase of short term investments	(887,512,817)	(357,025,912)
Proceeds from maturity of short term investments	674,903,547	242,169,502
Payment for property, plant and equipment	(6,370,158)	(12,731,955)
Payment for intangible assets and land use rights	(682,739)	(2,385,371)
Proceeds from disposal of property, plant and equipment	3,381	1,907
Net cash provided by/(used in) investing activities	256,053,506	(117,488,845)

	For the Six Months Ended	
	June 30, 2020	June 30, 2019
	USD	*USD*
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock options exercised	300,435	237,231
Payment to an investment bank for share repurchase	—	(110,042,776)
Dividend paid by subsidiaries to noncontrolling interest shareholders	(7,302,864)	(5,062,353)
Net cash used in financing activities	(7,002,429)	(114,867,898)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,133,739)	1,695,609
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS	383,387,005	(136,429,476)
Cash and cash equivalents at beginning of period	161,750,425	338,880,559
Cash and cash equivalents at end of period	545,137,430	202,451,083
Supplemental cash flow information		
Cash paid for income taxes	20,413,869	16,812,861
Noncash investing and financing activities:		
Acquisition of property, plant and equipment included in payables	410,228	2,226,126
Set-off loan receivable against accounts payable	—	2,160,070
Share repurchase using the prepayment to an investment bank	—	110,965,013
Land use right acquired with prepayments made in prior periods	—	2,689,467

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	For the Three Months Ended	
	June 30, 2020	**June 30, 2019**
	USD	*USD*
Income from Operations	42,691,534	48,170,954
Non-cash employee share-based compensation	6,696,075	6,485,917
Amortization of acquired intangible assets and land use rights	1,982,058	2,036,171
Adjusted Income from Operations — Non GAAP	51,369,667	56,693,042
Net Income Attributable to the Company	35,681,725	41,647,154
Non-cash employee share-based compensation	6,073,233	5,630,041
Amortization of acquired intangible assets and land use rights	1,684,749	1,384,596
Adjusted Net Income Attributable to the Company — Non GAAP	43,439,707	48,661,791
Diluted EPS — Non GAAP	1.11	1.24
Weighted average number of shares used in computation of Non GAAP diluted EPS	38,962,048	38,586,250

	For the Six Months Ended	
	June 30, 2020	**June 30, 2019**
	USD	*USD*
Income from Operations	110,716,769	92,057,932
Non-cash employee share-based compensation	13,627,693	12,791,884
Amortization of acquired intangible assets and land use rights	3,971,631	4,091,203
Adjusted Income from Operations — Non GAAP	128,316,093	108,941,019
Net Income Attributable to the Company	89,066,134	79,339,261
Non-cash employee share-based compensation	12,356,026	11,080,132
Amortization of acquired intangible assets and land use rights	3,375,886	2,782,018
Adjusted Net Income Attributable to the Company — Non GAAP	104,798,046	93,201,411
Diluted EPS — Non GAAP	2.67	2.36
Weighted average number of shares used in computation of Non GAAP diluted EPS	38,964,735	39,003,195

B. DIFFERENCES BETWEEN THE ACCOUNTING POLICIES ADOPTED BY THE COMPANY (HKFRS) AND CBPO (U.S. GAAP)

As described in "Letter from the Board — XIII. Waiver from Strict Compliance with Rule 14.68(2)(a)(i) of the Listing Rules", the Company has applied to the Stock Exchange for, and has been granted, a waiver from the requirement to produce an accountants' report on CBPO in accordance with Rule 14.69(4)(a)(i) of the Listing Rules.

Instead, this circular contains a copy of:

(a) the audited consolidated financial statements of CBPO for the financial years ended December 31, 2017, 2018 and 2019 prepared in accordance with U.S. GAAP, extracted from the annual reports of CBPO for each of those years (together the "CBPO Historical 3 Years' Accounts"); and

(b) the unaudited condensed consolidated financial statements of CBPO for the six months ended June 30, 2020 prepared in accordance with U.S. GAAP, extracted from the quarterly report of CBPO for the aforementioned period (the "CBPO Q2 2020 Accounts").

The CBPO Historical 3 years' Accounts and CBPO Q2 2020 Accounts cover the balance sheets of CBPO as of December 31, 2017, 2018, 2019 and June 30, 2020 and the results of CBPO for each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 (the "Relevant Periods").

The accounting policies adopted in the preparation of the CBPO Historical 3 Years' Accounts and CBPO Q2 2020 Accounts differ in certain material respects from the accounting policies presently adopted by the Company which comply with HKFRS (the "Company's Policies"). Differences which would have a significant effect on the CBPO Historical 3 Years' Accounts and CBPO Q2 2020 Accounts, had they been prepared in accordance with the accounting policies presently adopted by the Company rather than in accordance with U.S. GAAP, are set out below in "CBPO's Unaudited Adjusted Financial Information under the Company's Policies", with the following disclosures:

(a) a comparison between CBPO's consolidated statements of operations and consolidated statements of comprehensive income as extracted from the CBPO Historical 3 years' Accounts and CBPO Q2 2020 Accounts, respectively, prepared in accordance with U.S. GAAP, and adjusted consolidated income statement and consolidated statement of comprehensive income had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such a comparison is set out in the "Basis of Preparation" and "Reconciliation Process" sections below;

(b) a comparison between CBPO's consolidated balance sheets as extracted from the CBPO Historical 3 years' Accounts and CBPO Q2 2020 Accounts, prepared in accordance with U.S. GAAP, and adjusted consolidated balance sheet had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such a comparison is also set out in the "Basis of Preparation" and "Reconciliation Process" sections below; and

(c) a discussion of the material financial statement line item differences arising out of the exercise outlined in (a) and (b) above.

The above referenced items are collectively referred to as the "Reconciliation Information".

Basis of Preparation

The Reconciliation Information for the Relevant Periods, which presents the "Unadjusted Financial Information under U.S. GAAP" of CBPO as if it had been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with HKFRS, has been prepared on the assumption that the transition provisions of HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards ("HKFRS 1") are applicable to CBPO. CBPO's HKFRS transition date is deemed to be January 1, 2018 and as such, CBPO has applied the mandatory exceptions and certain optional exemptions afforded by HKFRS 1 for the preparation of the Reconciliation Information for the Relevant Periods.

Reconciliation Process

The Reconciliation Information has been prepared by comparing and analyzing the differences between the accounting policies adopted by CBPO for the preparation of the CBPO Historical 3 Years' Accounts and CBPO Q2 2020 Accounts in accordance with U.S. GAAP and the accounting policies adopted by the Company which are in compliance with HKFRS, and quantifying the relevant material financial effects of such differences.

BDO Limited ("BDO") was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the HKICPA on the Reconciliation Information. The work consisted primarily of:

(i) comparing the Unadjusted Financial Information under U.S. GAAP with the audited or reviewed financial statements of the CBPO Group as set out in Appendix IV of the Circular;

(ii) comparing the accounting policies of the CBPO Group as set out in Appendix IV of the Circular with the accounting policies of the Group as set out in the published audited consolidated financial statements of the Company for the year ended December 31, 2017, 2018 and 2019 and the published unaudited consolidated interim financial information of the Company for the six months ended June 30, 2020;

(iii) reviewing the adjustments, if any, made by the Directors of the Company in arriving at the CBPO's Unaudited Adjusted Financial Information under the Company's Policies and evidence supporting the adjustments; and

(iv) checking the arithmetic accuracy of the computation of the CBPO's Unaudited Adjusted Financial Information under the Company's Policies.

BDO's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, BDO Hong Kong did not express an audit opinion nor a review conclusion on the Reconciliation Information. BDO Hong Kong's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, BDO Hong Kong has concluded that:

(i) the Unadjusted Financial Information under U.S. GAAP has been properly extracted from the CBPO Historical 3 Years' Accounts and CBPO Q2 2020 Accounts;

(ii) in all material respects there were no differences between the accounting policies of the CBPO as set out in CBPO Historical 3 Years' Accounts and CBPO Q2 2020 Accounts and the accounting policies of the Group as set out in the published audited consolidated financial statements of the Company for the year ended December 31, 2017, 2018 and 2019 and the published unaudited consolidated interim financial information of the Company for the six months ended June 30, 2020 requiring adjustments to the Unadjusted Financial Information under U.S. GAAP to arrive at the CBPO's Unaudited Adjusted Financial Information under the Company's Policies; and

(iii) the computation of the Adjusted Financial Information under the Company's Policies is arithmetically accurate.

CBPO's Unaudited Adjusted Financial Information under the Company's Policies

The CBPO Historical 3 Years' Accounts and CBPO Q2 2020 Accounts for the Relevant Periods have been prepared and presented in accordance with U.S. GAAP. There are no material measurement differences between the CBPO Historical 3 Years' Accounts and CBPO Q2 2020 Accounts, as prepared in accordance with U.S. GAAP, compared to that applying the accounting policies presently adopted by the Company which are in compliance with HKFRS, other than as set out below:

1 — Share-based Payments *(note i)*

2 — Income Taxes *(note k)*

The Reconciliation Information also includes reclassification adjustments to align the presentation of the CBPO Historical 3 Years' Accounts and CBPO Q2 2020 Accounts with the Company's presentation.

AUDITED ADJUSTED CONSOLIDATED INCOME STATEMENT UNDER THE COMPANY'S POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue		370,407	—	—	370,407
Cost of sales		(125,517)	—	—	(125,517)
Gross profit		244,890	—	—	244,890
Selling expenses		(34,844)	—	—	(34,844)
Administrative expenses	*a, c, j*	(67,684)	(8,450)	(639)	(76,773)
Research and development expenses	*a*	(6,504)	—	(364)	(6,868)
Other gains — net	*a*	—	—	1,002	1,002
Operating profit		135,858	(8,450)	(1)	127,407
Finance income		7,624	—	—	7,624
Finance costs	*c*	(583)	—	1	(582)
Finance income — net		7,041	—	1	7,042
Earning from associate investment		3,509	—	—	3,509
Profit before income tax		146,408	(8,450)	—	137,958
Income tax expenses	*o*	(64,172)	(273)	—	(64,445)
Profit for the year		82,236	(8,723)	—	73,513
Profit/(loss) attributable to:					
Owners of the Company		67,943	(7,244)	—	60,699
Non-controlling interests		14,293	(1,479)	—	12,814
		82,236	(8,723)	—	73,513

AUDITED ADJUSTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME UNDER THE COMPANY'S POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Profit for the year		82,236	(8,723)	—	73,513
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Currency translation differences		36,861	—	—	36,861
Other comprehensive income for the year, net of tax		36,861	—	—	36,861
Total comprehensive income for the year		119,097	(8,723)	—	110,374
Attributable to:					
— Owners of the Company		101,220	(7,244)	—	93,976
— Non-controlling interests		17,877	(1,479)	—	16,398
Total comprehensive income for the year		119,097	(8,723)	—	110,374

AUDITED ADJUSTED CONSOLIDATED BALANCE SHEET UNDER THE COMPANY'S POLICIES

AS OF DECEMBER 31, 2017

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Assets					
Non-current assets					
Land use rights		24,853	—	—	24,853
Property, plant and equipment	*e*	166,813	—	(2,698)	164,115
Intangible assets	*f*	—	—	536	536
Deferred income tax assets	*g, o*	—	1,054	8,174	9,228
Long-term prepayments	*e*	—	—	3,354	3,354
Other non-current assets	*e, f, g*	9,366	—	(9,366)	—
Interest in associates		14,904	—	—	14,904
		215,936	1,054	—	216,990
Current assets					
Inventories		209,571	—	—	209,571
Trade and other receivables	*d*	77,267	—	10,413	87,680
Cash and cash equivalents		219,337	—	—	219,337
Prepayments and other current assets	*d, o*	18,139	(1,757)	(10,413)	5,969
Time deposits		22,895	—	—	22,895
Loan receivable		45,912	—	—	45,912
		593,121	(1,757)	—	591,364
Total assets		809,057	(703)	—	808,354
Equity					
Equity attributable to owners of the Company					
Share capital		3	—	—	3
Share premium	*j*	140,230	28,220	—	168,450
Treasury shares		(56,425)	—	—	(56,425)
Other reserves		7,958	—	—	7,958
Retained earnings	*j, k. o*	506,426	(23,076)	—	483,350
		598,192	5,144	—	603,336
Non-controlling interests	*j, k. o*	66,133	(5,847)	—	60,286
Total equity		664,325	(703)	—	663,622

	Notes	Unadjusted Financial Information under U.S. GAAP US$'000	Measurement Adjustments US$'000	Classification Adjustments US$'000	Adjusted Financial Information under the Company's Policies US$'000
Liabilities					
Non-current liabilities					
Deferred income tax liabilities	g	—	—	6,234	6,234
Deferred income		3,477	—	—	3,477
Long-term other liabilities	g	6,553	—	(6,234)	319
Non-current income tax payable		37,067	—	—	37,067
		47,097	—	—	47,097
Current liabilities					
Trade and other payables	h	7,549	—	75,828	83,377
Other payables and accrued expenses	h	75,828	—	(75,828)	—
Current income tax liabilities		14,258	—	—	14,258
		97,635	—	—	97,635
Total liabilities		144,732	—	—	144,732
Total equity and liabilities		809,057	(703)	—	808,354

AUDITED ADJUSTED CONSOLIDATED INCOME STATEMENT UNDER THE COMPANY'S POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue		466,877	—	—	466,877
Cost of sales		(146,787)	—	—	(146,787)
Gross profit		320,090	—	—	320,090
Selling expenses		(95,576)	—	—	(95,576)
Administrative expenses	*a, c, j*	(68,817)	3,289	(753)	(66,281)
Research and development expenses	*a*	(9,524)	—	(731)	(10,255)
Other gains — net	*a*	—	—	1,502	1,502
Operating profit		146,173	3,289	18	149,480
Finance income	*b*	13,707	—	6,029	19,736
Finance costs	*c*	(338)	—	(18)	(356)
Fair value changes of short term investment	*b*	—	—	384	384
Finance income — net		13,369	—	6,395	19,764
Earning from associate investment		2,369	—	—	2,369
Other income, net		4,092	—	(6,413)	(2,321)
Profit before income tax		166,003	3,289	—	169,292
Income tax expenses	*o*	(18,036)	(457)	—	(17,579)
Profit for the year		147,967	3,746	—	151,713
Profit/(loss) attributable to:					
Owners of the Company		128,056	3,242	—	131,298
Non-controlling interests		19,911	504	—	20,415
		147,967	3,746	—	151,713

AUDITED ADJUSTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME UNDER THE COMPANY'S POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	**Unadjusted Financial Information under U.S. GAAP** *US$'000*	**Measurement Adjustments** *US$'000*	**Classification Adjustments** *US$'000*	**Adjusted Financial Information under the Company's Policies** *US$'000*
Profit for the year		147,967	3,746	—	151,713
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Currency translation differences	*n*	(60,784)	(2,822)	—	(63,606)
Other comprehensive income for the year, net of tax		(60,784)	(2,822)	—	(63,606)
Total comprehensive income for the year		87,183	924	—	88,107
Attributable to:					
— Owners of the Company		74,388	985	—	75,373
— Non-controlling interests		12,795	(61)	—	12,734
Total comprehensive income for the year		87,183	924	—	88,107

AUDITED ADJUSTED CONSOLIDATED BALANCE SHEET UNDER THE COMPANY'S POLICIES
AS OF DECEMBER 31, 2018

	Notes	Unadjusted Financial Information under U.S. GAAP US$'000	Measurement Adjustments US$'000	Classification Adjustments US$'000	Adjusted Financial Information under the Company's Policies US$'000
Assets					
Non-current assets					
Land use rights	*n*	32,204	(191)	—	32,013
Property, plant and equipment	*e, n*	178,327	(73)	(4,730)	173,524
Intangible assets	*f, n*	53,259	(3,057)	—	50,202
Deferred income tax assets	*k, g*	—	2,503	9,108	11,611
Long-term prepayments	*e*	—	—	15,663	15,663
Other non-current assets	*e, f, g*	9,228	—	(9,228)	—
Prepayments for investments in equity securities	*e*	10,813	—	(10,813)	—
Interest in associates		15,428	—	—	15,428
Loan receivable		39,943	—	—	39,943
Goodwill		313,589	—	—	313,589
		652,791	(818)	—	651,973
Current assets					
Inventories		243,296	—	—	243,296
Trade and other receivables	*d*	125,116	—	35,168	160,284
Cash and cash equivalents		338,881	—	—	338,881
Time deposits		537,478	—	—	537,478
Short term investments		76,049	—	—	76,049
Prepayments and other current assets	*d, g, k*	36,368	(1,200)	(35,168)	—
		1,357,188	(1,200)	—	1,355,988
Total assets		2,009,979	(2,018)	—	2,007,961
Equity					
Equity attributable to owners of the Company					
Share capital		4	—	—	4
Share premium	*j*	1,189,698	11,923	—	1,201,621
Treasury shares		(56,425)	—	—	(56,425)
Other reserves	*n*	(45,711)	11,994	—	(33,717)
Retained earnings	*j, k, n*	634,483	(20,376)	—	614,107
		1,722,049	3,541	—	1,725,590
Non-controlling interests	*j, k, n*	122,654	(5,987)	—	116,667
Total equity		1,844,703	(2,446)	—	1,842,257

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Liabilities					
Non-current liabilities					
Long-term income tax payable		26,899	—	—	26,899
Deferred income tax liabilities	*g, n*	—	(498)	(12,902)	(13,400)
Deferred income		2,825	—	—	2,825
Long-term other liabilities	*g*	13,203	—	12,902	26,105
		42,927	(498)	—	42,429
Current liabilities					
Trade and other payables	*h*	11,405	—	99,934	111,339
Other payables and accrued expenses	*h*	99,934	—	(99,934)	—
Current income tax liabilities		11,010	926	—	11,936
		122,349	926	—	123,275
Total liabilities		165,276	428	—	165,704
Total equity and liabilities		2,009,979	(2,018)	—	2,007,961

AUDITED ADJUSTED CONSOLIDATED INCOME STATEMENT UNDER THE COMPANY'S POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue		503,745	—	—	503,745
Cost of sales		(174,667)	—	—	(174,667)
Gross profit		329,078	—	—	329,078
Selling expenses		(80,319)	—	—	(80,319)
Administrative expenses	*a, c, j, l*	(73,376)	2,342	(1,044)	(72,078)
Research and development expenses	*a*	(11,735)	—	(1,225)	(12,960)
Other gains — net	*a*	—	—	2,269	2,269
Operating profit		163,648	2,342	—	165,990
Finance income	*b*	21,323	—	5,906	27,229
Finance costs	*c, l*	(558)	(179)	—	(737)
Fair value changes on financial assets at fair value through profit and loss	*m*	—	174	—	174
Finance income — net		20,765	(5)	5,906	26,666
Earning from associate investment		1,587	—	—	1,587
Other income, net		5,494	—	(5,906)	(412)
Profit before income tax		191,494	2,337	—	193,831
Income tax expenses	*o*	(28,099)	(1,315)	—	(29,414)
Profit for the year		163,395	1,022	—	164,417
Profit/(loss) attributable to:					
Owners of the Company	*j*	138,808	853	—	139,661
Non-controlling interests	*j*	24,587	169	—	24,756
		163,395	1,022	—	164,417

AUDITED ADJUSTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME UNDER THE COMPANY'S POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Profit for the year		163,395	1,022	—	164,417
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Currency translation differences		(20,376)	—	—	(20,376)
Other comprehensive income for the year, net of tax		(20,376)	—	—	(20,376)
Total comprehensive income for the year		143,019	1,022	—	144,041
Attributable to:					
— Owners of the Company		121,324	853	—	122,177
— Non-controlling interests		21,695	169	—	21,864
Total comprehensive income for the year		143,019	1,022	—	144,041

AUDITED ADJUSTED CONSOLIDATED BALANCE SHEET UNDER THE COMPANY'S POLICIES
AS OF DECEMBER 31, 2019

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	US$'000	US$'000	US$'000
Assets					
Non-current assets					
Land use rights		28,459	—	—	28,459
Property, plant and equipment	e	177,597	—	(2,135)	175,462
Intangible assets	f	44,068	—	—	44,068
Deferred income tax assets	g, o	—	2,327	10,430	12,757
Long-term prepayments	e	—	—	2,458	2,458
Other non-current assets	e, g	16,319	(5,566)	(10,753)	—
Other investments	m	10,813	174	—	10,987
Interest in associates		16,726	—	—	16,726
Loan receivable		35,642	—	—	35,642
Goodwill		308,509	—	—	308,509
Right-of-use assets	l	—	5,390	—	5,390
		638,133	2,325	—	640,458
Current assets					
Inventories		250,728	—	—	250,728
Trade and other receivables	d, e	100,270	(74)	19,963	120,159
Cash and cash equivalents		161,751	—	—	161,751
Time deposits		497,676	—	—	497,676
Short term investments		267,831	—	—	267,831
Prepayments and other current assets	d, o	21,469	(1,506)	(19,963)	—
		1,299,725	(1,580)	—	1,298,145
Total assets		1,937,858	745	—	1,938,603
Equity					
Equity attributable to owners of the Company					
Share capital		4	—	—	4
Share premium	j	1,158,274	15,026	—	1,173,300
Treasury shares		(167,433)	—	—	(167,433)
Other reserves		(68,420)	10,260	—	(58,160)
Retained earnings	j, k, l, m, o	773,290	(19,682)	—	753,608
		1,695,715	5,604	—	1,701,319
Non-controlling interests	j, k, l, m, o	79,137	(5,275)	—	73,862
Total equity		1,774,852	329	—	1,775,181

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Liabilities					
Non-current liabilities					
Long-term income tax payable		24,906	—	—	24,906
Deferred income tax liabilities	*g*	—	—	11,826	11,826
Deferred income		2,300	—	—	2,300
Lease liabilities	*l*	—	4,372	—	4,372
Long-term other liabilities	*g*	16,492	(4,372)	(11,826)	294
		43,698	—	—	43,698
Current liabilities					
Trade and other payables	*h*	6,262	—	98,571	104,833
Other payables and accrued expenses	*h*	99,743	(1,172)	(98,571)	—
Current income tax liabilities		13,303	512	—	13,815
Current portion of lease liabilities		—	1,076	—	1,076
		119,308	416	—	119,724
Total liabilities		163,006	416	—	163,422
Total equity and liabilities		1,937,858	745	—	1,938,603

UNAUDITED ADJUSTED CONSOLIDATED INCOME STATEMENT UNDER THE COMPANY'S POLICIES

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue		273,704	—	—	273,704
Cost of sales		(96,340)	—	—	(96,340)
Gross profit		177,364	—	—	177,364
Selling expenses		(28,874)	—	—	(28,874)
Administrative expenses	*a, c, j*	(33,726)	(863)	—	(34,589)
Research and development expenses	*a*	(4,571)	—	—	(4,571)
Other gains — net	*a, b*	524	—	—	524
Operating profit		110,717	(863)	—	109,854
Finance income		7,216	—	—	7,216
Finance costs	*c*	(179)	(125)	—	(304)
Fair value changes of other investment		—	—	—	—
Fair value changes of short term investment	*b*	—	—	4,601	4,601
Finance income — net		7,037	(125)	4,601	11,513
Earning from associate investment		(1,341)	—	—	(1,341)
Other income, net	*b*	4,601	—	(4,601)	—
Profit before income tax		121,014	(988)	—	120,026
Income tax expenses	*o*	(18,220)	451	—	(17,769)
Profit for the year		102,794	(537)	—	102,257
Profit/(loss) attributable to:					
Owners of the Company	*j*	89,066	(452)	—	88,614
Non-controlling interests	*j*	13,728	(85)	—	13,643
		102,794	(537)	—	102,257

UNAUDITED ADJUSTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME UNDER THE COMPANY'S POLICIES

FOR SIX MONTHS ENDED JUNE 30, 2020

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Profit for the year		102,794	(536)	—	102,258
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Currency translation differences		(20,122)	—	—	(20,122)
Other comprehensive income for the year, net of tax		(20,122)	—	—	(20,122)
Total comprehensive income for the year		82,672	(536)	—	82,136
Attributable to:					
— Owners of the Company		70,020	(451)	—	69,569
— Non-controlling interests		12,652	(85)	—	12,567
Total comprehensive income for the year		82,672	(536)	—	82,136

UNAUDITED ADJUSTED CONSOLIDATED BALANCE SHEET UNDER THE COMPANY'S POLICIES

AS OF JUNE 30, 2020

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Assets					
Non-current assets					
Land use rights		—	—	—	—
Property, plant and equipment	*e*	172,369	—	(2,376)	169,993
Intangible assets		39,516	—	—	39,516
Deferred income tax assets	*g, k*	—	1,851	11,388	13,239
Long-term prepayments	*e*	—	—	2,723	2,723
Other non-current assets	*e, g, l*	16,660	(4,925)	(11,735)	—
Other investments		10,813	—	—	10,813
Interest in associates		15,152	—	—	15,152
Loan receivable		35,123	—	—	35,123
Goodwill		304,011	—	—	304,011
Right-of-use assets	*l*	28,261	4,707	—	32,968
		621,905	1,633	—	623,538
Current assets					
Inventories		225,578	—	—	225,578
Trade and other receivables	*d, l*	114,636	(127)	20,013	134,522
Cash and cash equivalents		545,137	—	—	545,137
Time deposits		20,968	—	—	20,968
Short term investments		474,865	—	—	474,865
Prepayments and other current assets	*d, k*	21,335	(1,322)	(20,013)	—
		1,402,519	(1,449)	—	1,401,070
Total assets		2,024,424	184	—	2,024,608
Equity					
Equity attributable to owners of the Company					
Share capital		4	—	—	4
Share premium	*j*	1,172,202	4,050	—	1,176,252
Treasury shares		(167,433)	—	—	(167,433)
Other reserves		(87,468)	21,557	—	(65,911)
Retained earnings	*j, k, o*	862,357	(20,307)	—	842,050
		1,779,662	5,300	—	1,784,962
Non-controlling interests	*j, k, o*	79,424	(5,360)	—	74,064
Total equity		1,859,086	(60)	—	1,859,026

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
		US$'000	*US$'000*	*US$'000*	*US$'000*
Liabilities					
Non-current liabilities					
Long-term income tax payable		22,284	—	—	22,284
Deferred income tax liabilities	*g*	—	—	12,011	12,011
Deferred income		2,031	—	—	2,031
Lease liabilities	*l*	—	3,812	—	3,812
Long-term other liabilities	*g, l*	17,122	(3,812)	(12,011)	1,299
		41,437	—	—	41,437
Current liabilities					
Trade and other payables	*h*	9,355	—	99,291	108,646
Other payables and accrued expenses	*h*	100,370	(1,079)	(99,291)	—
Current income tax liabilities		14,176	407	—	14,583
Current portion of lease liabilities		—	916	—	916
		123,901	244	—	124,145
Total liabilities		165,338	244	—	165,582
Total equity and liabilities		2,024,424	184	—	2,024,608

a. ***Other gains (losses) — net***

CBPO net off government grant for reimbursing expenses incurred for certain schemes against G&A expense directly. The Company presents such government grant as "Other gains". Therefore, such expenses and government grant received have been reclassified to "Other gains — net".

In addition, CBPO net off government grant for reimbursing expenses incurred for specific research and development programs against R&D expense directly. The Company presents such government grant as "Other gains". Therefore, such expenses and government grant received have been reclassified to "Other gains (losses) — net".

b. ***Finance income***

CBPO presents interest income as a component of "Other income". The Company presents all interest income as "Finance income". Therefore, interest income have been reclassified to "Finance income".

c. ***Foreign Exchange Gains or Losses***

CBPO presents foreign exchange gains or losses as a component of "General and administrative expenses". The Company presents all foreign exchange gains or losses within "Finance costs". Therefore, foreign exchange gains and losses have been reclassified to "Finance costs".

d. ***Prepayment and Other Receivables***

CBPO presents prepayment and other receivables as a separate line item on its consolidated balance sheets. The Company presents prepayment and other receivables as a component of "Trade and other receivables". Accordingly, prepayment and other receivables have been reclassified to "Trade and other receivables".

e. ***Long-term prepayment***

CBPO presents prepayment for property, plant and equipment as a component of "property, plant and equipment". In addition, CBPO presents prepayment for investment and other long-term prepayment as "Other non-current assets". The Company presents these prepayment as "Long-term prepayment". Hence, prepayment with long-term nature have been reclassified to "Long-term prepayment".

f. ***Intangible assets***

CBPO presents intangible assets as a component of "Non-current assets". The Company presents intangible assets separately on its consolidated balance sheets. As such, intangible assets have been reclassified from "Non-current assets" to "Intangible assets."

g. *Deferred Income Taxes*

CBPO presents deferred income tax assets as "prepayment and other current assets" or "other non-current assets" and presents deferred income tax liabilities as "other liabilities" as of December 31, 2017, 2018 and 2019 and classified all deferred income taxes as non-current assets or liabilities as of December 31, 2017 and June 30, 2020, respectively. The Company presents deferred income taxes separately on its consolidated balance sheets and classifies all deferred income taxes balances as non-current assets or liabilities regardless of the period in which the underlying timing differences are expected to reverse. Therefore, deferred income taxes balances as of December 31, 2017, 2018, 2019 and June 30, 2020 were reclassified accordingly.

h. *Other payable and accrued expenses*

CBPO record other payable and accrued expenses as a separate line on its consolidated balance sheet, while the Company presents all payables as "Trade and other payables." As such, other payable and accrued expenses have been reclassified to "Trade and other payables".

i. *Prepayments for investments in equity securities*

CBPO represents prepayments for investments in equity securities as a separate line on its consolidated balance sheet, while the Company presents as "Long-term prepayments". As such, prepayments for investments in equity securities have been reclassified to "Long-term prepayments".

Measurement Adjustments

j. *Share-based Payments*

Share-based payment expenses arising in connection with CBPO's equity classified share-based payment arrangements (i.e. its stock options and time-based Restricted Stock Units ("RSUs")) are recognized on a straight-line basis over the vesting period. The Company accounts for each award separately and accordingly, recognizes expenses over the period that the employees unconditionally become entitled to the awards. The difference between expense attribution under CBPO's policy versus the Company's policy resulted in additional or (reduced) pre-tax share-based payment expense of US$8.5 million, (US$3.3 million) and (US$2.3 million) for the years ended December 31, 2017, 2018 and 2019, respectively, and (US$2.4 million) and US$1.0 million for the six months period ended June 30, 2019 and 2020, respectively.

k. *Unrealized gain on intra-group sales*

Income taxes paid by the seller on intra-group profits related to inventory that remain within the consolidated group, including the tax effect of any reversing temporary differences in the seller's tax jurisdiction, are deferred. CBPO recognizes the amount of tax effect in prepayment and other current assets in the statement of balance sheet until such time as the asset leaves the consolidated group, at which point the amount is reclassified to income tax expense. The Company accounts for the related deferred tax effect based on the tax rate of the purchaser, recognizes the amount in deferred tax assets. The current tax effects for the seller are recognized in the current tax position. The difference between expense attribution under CBPO's policy versus the Company's policy resulted in income tax expense of US$189,691, US$1,078,556 and US$58,680 for the years ended December 31, 2017, 2018 and 2019, respectively, and US$6,294 and US$36,864 for the six months ended June 30, 2019 and 2020, respectively.

l. ***Adoption of IFRS16 — Leases***

Operating leases were not recognized on the balance sheet of the Company under CBPO's policies, but rent expenses with fixed escalating payments and/or rent holidays were recognized on a straight-line basis over the lease term. Upon adoption of IFRS16 by the Company on 1 January 2019, the new IFRS16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also presents cash repayment of lease liabilities in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment resulted in increase in finance cost of US$179,000 for the years ended December 31, 2019 and a decrease in administrative expenses of US$25,000.

m. ***Measurement of financial assets***

The Company's investments without readily determinable fair values are measured using the measurement alternative under CBPO's policies at cost, less impairments, and adjusted up or down based on observable price changes in orderly transactions for identical or similar investments of the same issuer. Under the Company's policies, the financial assets at fair value through profit and loss shall not be measured at cost. In circumstances when observable inputs of the financial assets cannot be obtained, it is required to be measured at the fair value determined by level 3 inputs under IFRS13, which is inputs for the asset or liability that are not based on observable market data. This accounting difference resulted in increase in a fair value gains on financial assets at fair value through profit and loss amounted to US$174,000 for the years ended December 31, 2019.

n. ***Exchange differences of non-current assets of a subsidiary***

Under the Company's policies, the exchange rate used for translation to presentation currency was the closing rate at every period end, which also applies to translate fair value changes on acquisition of the non-current assets of a subsidiary denominated in RMB to US$ (which is CBPO's presentation currency). The exchange rate use by the Company under its policies was different from the exchange rate used by CBPO under CBPO's accounting policy. The accounting difference resulted in adjustment on exchange reserves.

o. ***Income Taxes***

Income tax adjustments reflect the tax effect of the measurement adjustments noted in j above.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, an illustrative unaudited pro forma consolidated statement of comprehensive income and an illustrative unaudited pro forma consolidated statement of cash flows of the Group (the "Unaudited Pro Forma Financial Information") which have been prepared by the Directors to illustrate the effect of the disposal of 5,321,000 shares of China Biologic Products Holdings, Inc. ("CBPO") held by the Group (the "Disposal"), which represented approximately 13.79% of the issued share capital of CBPO, for a consideration of US$120.0 per share as if it had taken place on 30 June 2020 for the unaudited pro forma consolidated balance sheet and on 1 January 2019 for the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows. For the preparation of an illustrative unaudited pro forma consolidated statement of comprehensive income and an illustrative unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2019, the Directors assumed that the disposal of 1,000,000 shares of CBPO held by the Group, which was completed on 8 May 2020, had taken place on 1 January 2019.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Group had the Transactions been completed on 1 January 2019 or 30 June 2020 where applicable, or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited consolidated income statement of the Group for the year ended 31 December 2019	Pro forma adjustments		Unaudited pro forma consolidated income statement of the Group for the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)	(unaudited)
	(Note a)	*(Note b(i))*	*(Note b(ii))*	
Revenue	362,183			362,183
Cost of revenue	(140,056)			(140,056)
Gross profit	222,127			222,127
Other gains/(losses) — net	(11,398)	26,188	1,593,280	1,608,070
Fair value loss on investment properties	(1,650)			(1,650)
Selling and marketing expenses	(101,157)			(101,157)
Administrative expenses	(65,240)			(65,240)
Provision for expected credit losses	(15,497)			(15,497)
Research and development expenses	(25,514)			(25,514)
Operating profit	1,671			1,621,139
Finance cost — net	(28,684)			(28,684)
Share of result of an associate	112,821	(112,821)		—
Profit before income tax	85,808			1,592,455
Income tax expense	(3,839)			(3,839)
Profit for the year	81,969			1,588,616
Other comprehensive income				
Items that maybe subsequently reclassified to profit of loss:				
Currency translation differences	(10,062)			(10,062)
Share of exchange reserve of an associate	44,057	(44,057)		—
Reclassification from exchange differences reserve to profit and loss on				
— deemed disposal of an associate	(195)	195		—
— disposal of an associate	—		(64,910)	(64,910)
— deregistration of a subsidiary	(1,417)			(1,417)
Other comprehensive income for the year	32,383			(76,389)
Total comprehensive income for the year	114,352			1,512,227
Profit/(loss) for the year attributable to:				
Owners of the Company	81,982			1,588,629
Non-controlling interests	(13)			(13)
	81,969			1,588,616
Total comprehensive income for the year attributable to:				
Owners of the Company	114,365			1,512,240
Non-controlling interests	(13)			(13)
	114,352			1,512,227

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Unadjusted amount of the Group			Pro forma adjusted amount of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)	(unaudited)
	(Note a)	*(Note d(i))*	*(Note d)*	
ASSETS AND LIABILITIES				
NON-CURRENT ASSETS				
Right of use assets	22,849			22,849
Property, plant and equipment	716,422			716,422
Investment properties	262,506			262,506
Intangible assets	179,506			179,506
Interests in associates	3,199,388		(3,199,388)	—
Deferred income tax assets	13,659			13,659
Long-term prepayments	24,020			24,020
Trade receivables	2,800			2,800
	4,421,150			1,221,762
CURRENT ASSETS				
Trade and other receivables	157,346			157,346
Inventories	39,988			39,988
Amounts due from an associate	27,507			27,507
Cash and cash equivalents	290,618	4,654,912		4,945,530
	515,459			5,170,371
CURRENT LIABILITIES				
Trade and other payables	99,842			99,842
Amount due to an associate	27,799			27,799
Lease liabilities	2,604			2,604
Bank loan	10,000			10,000
Tax payable	2,552			2,552
	142,797			142,797
NET CURRENT ASSETS	372,662			5,027,574
TOTAL ASSETS LESS CURRENT LIABILITIES	4,793,812			6,249,336
NON-CURRENT LIABILITIES				
Deferred tax liabilities	3,000			3,000
Deferred government grant	17,168			17,168
	20,168			20,168
NET ASSETS	4,773,644			6,229,168
EQUITY				
Share capital	965			965
Share premium	1,492,937			1,492,937
Other reserves	527,989		(139,096)	388,893
Retained earnings	2,751,914		1,594,620	4,346,534
Equity attributable to owners of the Company	4,773,805			6,229,329
Non-controlling interests	(161)			(161)
TOTAL EQUITY	4,773,644			6,229,168

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Unadjusted amount of the Group		Pro forma adjusted amount of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)
	(Note a)	*(Note b)*	
OPERATING ACTIVITIES			
Net cash used in operations	86,710		86,710
Income tax paid	(7,757)		(7,757)
Net cash used in operating activities	78,953		78,953
INVESTING ACTIVITIES			
Proceeds from disposal of an associate	—	5,097,276	5,097,276
Purchase of property, plant and equipment	(2,551)		(2,551)
Payments for construction in progress	(25,212)		(25,212)
Interest received	1,626		1,626
Net cash (used in)/generated from investing activities	(26,137)		5,071,139
FINANCING ACTIVITIES			
Repayment of lease liabilities	(202)		(202)
Increase in bank borrowings	10,000		10,000
Interest paid	(30,114)		(30,114)
Exercise of share options	62		62
Net cash generated from financing activities	(20,254)		(20,254)
Net increase in cash and cash equivalents	32,562		5,129,838
Cash and cash equivalents at beginning of year	98,964		98,964
Effect of foreign exchange rate changes	1,072		1,072
Cash and cash equivalents at end of year	132,598		5,229,874

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

(a) The amounts are extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2020 as published in the Interim Report 2020 of the Group on 17 September 2020; the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as published in the Annual Report 2019 of the Group on 28 April 2020.

(b) The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income assuming the Disposal had taken place on 1 January 2019:

(i) The adjustment reflects the exclusion of the share of profits of CBPO and loss from deemed disposal of an associate, assuming the Disposal had been taken place on 1 January 2019.

(ii) The adjustment represents the estimated net gain on the Disposal assuming the Disposal had taken place on 1 January 2019. The estimated gain is calculated as follows:

	RMB'000
Total consideration	
— From the disposal of 5,321,000 shares of CBPO *(Note (i))*	4,290,873
— From the disposal of 1,000,000 shares of CBPO *(Note (ii))*	806,403
Less: carrying amount of interest in an associate, ie. Interest in CBPO, as at 1 January 2019	(3,568,906)
Add: Release of exchange fluctuation reserve upon the Disposal	64,910
Gain on the Disposal before taxation	1,593,280
Estimated income tax effect on the Disposal *(Note (iii))*	—
Gain on the Disposal after taxation	1,593,280

Notes:

(i) The estimated consideration is amounted to of USD638,520,000 (equivalent to RMB4,290,873,000) being the estimated consideration of the Disposal to be received upon the completion of the Disposal, based on 5,321,000 shares of CBPO at a selling price in cash equal to US$120 per share.

(ii) On 8 May 2020, in accordance with a share purchase agreement (the "Share Purchase Agreement"), the Company sold 1,000,000 ordinary shares to an independent third party for a cash consideration of US$101 million, representing US$101 per share disposed. As disclosed in the announcement of the Company dated October 26, 2020, the Company entered into an amendment No. 3 to the Share Purchase Agreement with each of the buyers, pursuant to which the buyers agreed to pay US$19.0 per shares as adjustments to the sale price of the 1,000,000 shares disposed of by the Company under the Share Purchase Agreement. The management prepared the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2019 as if this disposal of 1,000,000 shares had taken place on 1 January 2019 at a consideration of US$120 per share (equivalent to RMB806,403,000).

(iii) Pursuant to the Circular 698 and Bulletin [2015] No.7 issued by China's State Administration Taxation, a non-resident enterprise transferring shares in an offshore intermediary enterprise that directly or indirectly holds an equity interest in a PRC enterprise are subject to PRC tax on the gains. However, Article 5 of Bulletin [2015] No.7 specified that if the non-resident enterprise derive income from transfer of shares in an offshore listed enterprise, it is not subject to the application of Circular 698. Since CBPO is listed in NASDAQ, the Company is not subject to the application of Circular 698 and Bulletin [2015] No.7 and no provision for taxation is required for the Disposal and the disposal of 1,000,000 shares mentioned in Note (ii).

(c) The following pro forma adjustments are made to the unaudited pro forma consolidated statement of cash flows assuming the Disposal had taken place on 1 January 2019. It represents the consideration received or to be received calculated as below:

	RMB'000
Consideration received or to be received	
— From the disposal of 5,321,000 shares of CBPO *(Note (b)(ii)(i))*	4,290,873
— From the disposal of 1,000,000 shares of CBPO *(Note (b)(ii)(ii))*	806,403
	5,097,276

(d) The pro forma adjustments have been made to the unaudited pro forma consolidated balance sheet assuming the Disposal had taken place on 30 June 2020. It represents the exclusion of the interest in an associate, release of exchange reserves upon the Disposal and recognition of the estimated cash consideration of the Disposal.

The adjustment represents the estimated net gain on the Disposal assuming the Disposal had taken place on 30 June 2020. The estimated gain is calculated as follows:

	RMB'000
Total consideration	
— From the disposal of 5,321,000 shares of CBPO *(Note (i))*	4,520,402
— From the disposal of 1,000,000 shares of CBPO *(Note (ii))*	134,510
Less: carrying amount of interest in an associate, ie. Interest in CBPO, as at 30 June 2020	(3,199,388)
Add: Release of exchange fluctuation reserve upon the Disposal	139,096
Gain on the Disposal before taxation	1,594,620
Estimated income tax effect on the Disposal *(Note (iii))*	—
Gain on the Disposal after taxation	1,594,620

Notes:

(i) The estimated consideration is amounted to of USD638,520,000 (equivalent to RMB4,520,402,000) being the estimated consideration of the Disposal to be received upon the completion of the Disposal, based on 5,321,000 shares of CBPO at a selling price in cash equal to US$120 per share.

(ii) On 8 May 2020, in accordance with a share purchase agreement (the "Share Purchase Agreement"), the Company sold 1,000,000 ordinary shares to an independent third party for a cash consideration of US$101 million, representing US$101 per share disposed. As disclosed in the announcement of the Company dated October 26, 2020, the Company entered into an amendment No. 3 to the Share Purchase Agreement with each of the buyers, pursuant to which the buyers agreed to pay US$19.0 per shares as adjustments to the sale price of the 1,000,000 shares disposed of by the Company under the Share Purchase Agreement. As such, the Group will receive an additional cash consideration of US$19,000,000 upon the completion of the proposed transaction (equivalent to RMB139,096,000).

(iii) Pursuant to the Circular 698 and Bulletin [2015] No.7 issued by China's State Administration Taxation, a non-resident enterprise transferring shares in an offshore intermediary enterprise that directly or indirectly holds an equity interest in a PRC enterprise are subject to PRC tax on the gains. However, Article 5 of Bulletin [2015] No.7 specified that if the non-resident enterprise derive income from transfer of shares in an offshore listed enterprise, it is not subject to the application of Circular 698. Since CBPO is listed in NASDAQ, the Company is not subject to the application of Circular 698 and Bulletin [2015] No.7 and no provision for taxation is required for the Disposal and the disposal of 1,000,000 shares mentioned in Note (ii).

The corresponding adjustment to equity is represented by:

	RMB$'000
Gain on the Disposal after taxation	1,594,620
Release of exchange fluctuation reserve upon the Disposal to profit or loss	(139,096)
	1,455,524

(e) Apart from above, no adjustments have been made to the unaudited pro forma consolidated balance sheet and the unaudited pro form consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020 or 31 December 2019, respectively.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF PW MEDTECH GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of PW Medtech Group Limited (the ''Company'') and its subsidiaries (collectively referred to as the ''Group'') by the directors of the Company (the ''Directors'') for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2020, the unaudited pro formal consolidated statement of comprehensive income for the year ended 31 December 2019, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019, and related notes as set out on pages III-1 to III-7 of the circular dated 16 November 2020 (the ''Circular'') issued by the Company in connection with the proposed disposal (the ''Disposal'') of 5,321,000 shares of China Biologic Products Holdings, Inc. (''CBPO''). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on page III-1 of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the Disposal on the Group's financial position as at 30 June 2020 and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the transaction had taken place at 30 June 2020 and 1 January 2019, respectively. As part of this process, the Unaudited Pro Forma Financial Information is prepared based on (i) the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the period ended 30 June 2020 and for the year ended 31 December 2019; (ii) CBPO's unaudited adjusted financial information under the Company's policies as at 30 June 2020 or for the year ended 31 December 2019 and as set out in appendix IV to the Circular.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' (''AG 7'') issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA'')''.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the ''Code of Ethics for Professional Accountants'' issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Ng Wai Man
Practicing Certificate Number P05309

Hong Kong, November 16, 2020

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors and Chief Executive in Securities

As of the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) ***Long position in the Shares***

Name of Director	Capacity	Number of Shares interested	Approximate percentage of the Company's issued share capital+
Ms. Yue'e ZHANG	Beneficial owner	50,000	0.003%
Mr. JIANG Liwei	Beneficial owner	2,638,714	0.17%
Mr. LIN Junshan	Beneficial owner	1,673,427	0.11%
Mr. CHEN Geng	Beneficial owner	636,943	0.04%

(B) ***Long position in underlying Shares — physically settled unlisted equity derivatives***

Name of Director	Capacity	Number of underlying Shares in respect of the share options granted	Approximate percentage of underlying Shares over the Company's issued share capital+
Mr. WANG Xiaogang	Beneficial owner	118,471*	0.008%

* The exercise price per Share of the share options granted is RMB0.626.

+ The percentage represents the number of Shares/underlying Shares interested divided by the number of issued Shares as of the Latest Practicable Date.

Save as disclosed above, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation) between any of the Directors of the Company and any member of the Group.

4. LITIGATION

As of the Latest Practicable Date, none of the members of the Group were engaged in any litigation or arbitration or claim of material importance affecting its business operation, and the Directors were not aware of any litigation or arbitration or claim of material importance affecting its business operation which was pending or threatened by or against any member of the Group.

5. MATERIAL CONTRACTS

The following material contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date:

(a) the Share Purchase Agreements;

(b) the 2019 Share Purchase Agreement;

(c) the Consortium Agreement;

(d) the amendment no. 1 to the Consortium Agreement dated January 23, 2020 entered into between the Initial Consortium Members and two affiliates of Beachhead Holdings Limited (namely, Double Double and Point Forward), to reflect, among others, certain changes in the Rollover Securities held by the members of the Consortium and their respective affiliates as a result of certain share transfer transactions among certain CBPO shareholders other than the Company;

(e) the amendment no. 1 to the 2019 Share Purchase Agreement dated March 17, 2020 entered into between the Company and Beachhead Holdings Limited to extend the long stop date in relation to the disposal of CBPO Shares by the Company pursuant to the 2019 Share Purchase Agreement;

(f) the amendment no. 2 to the 2019 Share Purchase Agreement dated May 5, 2020 entered into between the Company and Beachhead Holdings Limited to waive the condition precedent of the 2019 Share Purchase Agreement in relation to the entry into of the Merger Agreement; and

(g) the amendment no. 3 to the 2019 Share Purchase Agreement dated October 26, 2020 entered into by the Company with each of Double Double and Point Forward to, among others, adjust the sale price of the CBPO Shares disposed of by the Company to Double Double and Point Forward pursuant to the 2019 Share Purchase Agreement.

6. COMPETING INTERESTS OF DIRECTORS

As of the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates (as defined in the Listing Rules) was interested in any business (apart from the Group's businesses) which competes or is likely to compete, either directly, or indirectly with the Group's businesses (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

7. INTEREST OF DIRECTORS IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE GROUP

As of the Latest Practicable Date, none of the Directors had any interest in any asset which has been, since December 31, 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or is proposed to be acquired or disposed of by or leased to any member of the Group.

8. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP

As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the businesses of the Group.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions or letters contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants

As of the date of this circular, the above expert had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report and/or references to its name, in the form and context in which they respectively appear.

As of the date of this circular, the above expert had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which have been, since December 31, 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

(a) The secretary of the Company is Mr. WONG Tin Yu, a Chartered Secretary and an Associate of both the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

(b) The registered office of the Company is situated at the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. The headquarters and principal place of business of the Company and its principal subsidiaries in the PRC is situated at Building 1, No. 23, Panlong West Road, Pinggu District, Beijing, the PRC 101204. The principal place of business in Hong Kong of the Company is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this circular up to 14 days thereafter:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended December 31, 2019 and the interim report of the Company for the six months ended June 30, 2020;

(c) the audited financial information of the CBPO Group for each of the financial years ended December 31, 2017, 2018 and 2019 and the unaudited financial information of the CBPO Group for the three and six months ended June 30, 2020 prepared under U.S. GAAP, the text of which is set out in Appendix II to this circular;

(d) a line-by-line reconciliation of CBPO's financial information for the differences between CBPO's accounting policies under U.S. GAAP and the Company's accounting policies under HKFRS, the text of which is set out in Appendix II to this circular;

(e) the report in respect of the unaudited pro forma financial information of the Remaining Group prepared by BDO Limited, the text of which is set out in Appendix III to this circular;

(f) the material contracts referred to in the section headed "5. Material Contracts" in this appendix;

(g) the written letter of consent referred to in the section headed "9. Expert and Consent" in this appendix; and

(h) this circular.

PW MEDTECH GROUP LIMITED
普 华 和 顺 集 团 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of PW Medtech Group Limited (普华和顺集团公司) (the "**Company**") will be held at 10:00 a.m. on Friday, December 4, 2020 at Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, the PRC for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated November 16, 2020.

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the Transaction Documents and all the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified; and

   (b) the executive director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign all such documents and to enter into all such transactions and arrangements as may be necessary or expedient in order to ensure smooth implementation of and to give effect to the Transaction Documents and the transactions contemplated thereunder."

2. To declare the proposed Special Dividend of approximately US$0.2034 per Share (equivalent to approximately HK$1.5764 per Share for illustration purpose) (subject to the closing of the Disposals), and the Board be and is hereby authorised to effect the payment of the proposed Special Dividend in HK$ at the relevant exchange rate on December 4, 2020 and to do all acts and things and to take such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the payment of the proposed Special Dividend on or around January 20, 2021.

Yours faithfully,
By order of the Board
PW Medtech Group Limited
普华和顺集团公司
Yue'e Zhang
Chairman & Chief Executive Officer

Hong Kong, November 16, 2020

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong (i.e. Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (i.e. not later than 10:00 a.m. (Hong Kong time) on Wednesday, December 2, 2020). Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked.

3. The register of members of the Company will be closed during the following periods and during these periods, no transfer of the shares of the Company will be registered:

   (i) To attend and vote at the EGM

   To ascertain Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, December 1, 2020 to Friday, December 4, 2020 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the EGM, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited (at its address shown in Note 2 above) for registration no later than 4:30 p.m. (Hong Kong time), on Monday, November 30, 2020.

   (ii) To qualify for the proposed Special Dividend

   To ascertain Shareholders' entitlement to the proposed Special Dividend, the register of members of the Company will be closed from Tuesday, December 22, 2020 to Thursday, December 24, 2020 (both days inclusive), during which period no share transfer will be effected. In order to qualify for the proposed Special Dividend, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited (at its address shown in Note 2 above) for registration no later than 4:30 p.m. (Hong Kong time), on Monday, December 21, 2020.

As of the date of this notice, the Board comprises one executive Director, namely, Ms. Yue'e Zhang; two non-executive Directors, namely, Mr. Jiang Liwei and Mr. Lin Junshan; and three independent non-executive Directors, namely, Mr. Wang Xiaogang, Mr. Zhang Xingdong and Mr. Chen Geng.

For the purpose of this notice, unless otherwise stated, the conversion of US$ into HK$ is calculated by using an exchange rate of US$1.00 equal to HK$7.7504. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.