康龍化成(北京)新藥技術股份有限公司

Pharmaron Beijing Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 3759

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators and Joint Lead Managers

Goldman Sachs | CLSA A CITIC Securities Company | 东方证券 DFZQ 國際

Joint Bookrunners

Goldman Sachs | CLSA A CITIC Securities Company | 东方证券 DFZQ 國際 | China Renaissance 华兴资本

* For identification purposes only

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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Global Offering

Total number of Offer Shares under the Global Offering	**:**	**116,536,100 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**11,653,700 H Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**104,882,400 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$39.50 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**3759**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection—1. Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before Thursday, November 21, 2019 or such later time as may be agreed between the parties, but in any event, no later than Tuesday, November 26, 2019. If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Tuesday, November 26, 2019 the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$39.50 per Offer Share and is expected to be not less than HK$34.50 per Offer Share although the Joint Global Coordinators, on behalf of the Underwriters, and our Company may agree to a lower price. The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus (being HK$34.50 per Offer Share to HK$39.50 per Offer Share) at any time on or prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.pharmaron.com** as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

We are incorporated and a substantial majority of our business and assets are located in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risks relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Regulatory Overview" in this prospectus and in Appendix IV, Appendix V and Appendix VI to this prospectus.

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Offer Shares, the Joint Sponsors and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the paragraph headed "Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only (i) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (ii) outside of the United States in offshore transactions in reliance on Regulation S.

* *For identification purposes only*

November 14, 2019

EXPECTED TIMETABLE[(1)]

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** *(note 2)* . . . . . 11:30 a.m. on Wednesday, November 20, 2019

Application lists for the Hong Kong Public Offering open *(note 3)* . . . . . 11:45 a.m. on Wednesday, November 20, 2019

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 4)* . . . . . 12:00 noon on Wednesday, November 20, 2019

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Wednesday, November 20, 2019

Application lists close *(note 3)* . . . . . 12:00 noon on Wednesday, November 20, 2019

Expected Price Determination Date *(note 5)* . . . . . Thursday, November 21, 2019

Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.pharmaron.com** on or before *(note 6)* . . . . . Wednesday, November 27, 2019

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (Please refer to the paragraph headed "How to Apply for the Hong Kong Offer Shares—11. Publication of Results" in this prospectus) from . . . . . Wednesday, November 27, 2019

Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . . Wednesday, November 27, 2019

Share certificates (if applicable) in respect of wholly or partially successful applications to be dispatched on or before . . . . . .Wednesday, November 27, 2019

e-Refund payment instructions/Refund checks in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before *(note 7)* . . . . . .Wednesday, November 27, 2019

Dealings in H Shares on the Stock Exchange to commence at 9:00 a.m. on . . . . . .Thursday, November 28, 2019

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, November 20, 2019, the application lists will not open on that day. Further information is set out in the paragraph headed "How to Apply for the Hong Kong Offer Shares—10. Effect of bad weather on the opening of the application lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for the Hong Kong Offer Shares—6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus for details.

(5) The Offer Price is expected to be determined by Thursday, November 21, 2019, but in any event, the expected time for determination of the Offer Price will not be later than Tuesday, November 26, 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, and our Company by Tuesday, November 26, 2019, the Global Offering will not proceed.

(6) If the Offer Price is determined on Thursday, November 21, 2019, the announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares and the successful applicants' identification document numbers will be published on or before Wednesday, November 27, 2019.

(7) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated on their Application Forms that they wish to collect any refund check(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Wednesday, November 27, 2019. Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, must be produced at the time of collection. Uncollected Share certificates and refund checks will be dispatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. Further details are set out in the paragraph headed "How to Apply for the Hong Kong Offer Shares—14. Dispatch/Collection of H Share Certificates and Refund Monies".

Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, November 27, 2019, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed "Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Grounds for Termination" has not been exercised. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure of the Global Offering" in this prospectus.

CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, the Joint Global Coordinators, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at www.pharmaron.com, does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading fully-integrated pharmaceutical R&D service platform with global operations to accelerate drug innovation for our customers. We are the second largest pharmaceutical R&D service platform in China and one of the top three drug discovery service providers globally in terms of total revenue in 2018, according to Frost & Sullivan. We have established our leadership in drug discovery, pre-clinical and early clinical-stage development, while we have also been expanding our capabilities downstream to late clinical-stage development and commercial manufacturing. In expanding along the pharmaceutical R&D process, we have established expertise in all major R&D functions to deliver key milestones in each R&D stage, thereby enabling our customers to conduct their R&D programs in an accelerated manner.

We have successfully evolved from a pure laboratory chemistry service provider to an end-to-end pharmaceutical R&D service platform with operations in China, the U.S. and the U.K. to cater to a full spectrum of customers' needs. In 2016 and 2017, we further expanded our service offerings and strengthened our technology platforms through acquisitions in the U.S. and the U.K. With our successful integration of these acquired subsidiaries and continued development of our technology capabilities, our well-established pharmaceutical R&D service platform provides integrated laboratory, clinical development and CMC services to our customers beyond service and geographic boundaries. Our integrated solutions and profound understanding of customers' needs further enable us to provide customized pharmaceutical R&D services.

Our global presence and world-class technical capabilities allow us to combine our technical expertise and efficient services for our customers. According to Frost & Sullivan, we are the only pharmaceutical R&D service provider that offers integrated pharmaceutical R&D solutions that combine radioisotope based compound synthesis-clinical-analysis techniques with our AMS isotope analysis technologies. In addition, our experience to conduct regulatory filings in various jurisdictions and our total solution approach enable our customers to file investigational new drug (IND) applications for their drug candidates in China, the U.S. or Europe in parallel and better support them when they enter into the overseas markets, which provides greater flexibility and efficiency in their business development strategies.

We have a large, diverse and loyal customer base. As of June 30, 2019, we had an aggregate of over 1,000 customers, which included all of the top 20 global pharmaceutical companies that contributed to 31.3% of our revenue in 2018, and many reputable biotech companies. In 2016, 2017, 2018, the six months ended June 30, 2019 and the nine months ended September 30, 2019, we provided pharmaceutical R&D services to 623, 767, 846, 780 and 937 customers, respectively. We are also a partner of choice of fast-growing start-ups and virtual biotech companies. Our loyal and growing customer base allows us to expand to new services along the drug discovery and development processes, as our existing customers' projects progress further. Horizontally, we are able to cross-sell our services of different scientific functions at a particular drug discovery or development stage to them, while vertically, our services cover their needs in different drug discovery and/or development stages. Our strong execution capabilities and quality customer services are widely recognized by our customers, which provide us with the opportunity to build confidence and trust between the customers and us.

We are devoted to providing our customers with world-class pharmaceutical R&D services. Since our inception, our services and facilities have passed over 140 customer audits and inspections by regulatory authorities like the FDA and NMPA, which not only validates our technical capabilities but also creates a virtuous cycle to further enhance our service quality. In addition, we benefit from our strategic partnership with selected customers. Through know-how sharing and trainings provided during our deep collaboration with these customers, we were able to further improve our technical capabilities and enhance our service excellence. Such strategic relationship with reputable partners also helps us attract new customers via word of mouth referrals and reinforces our close relationships with such customers.

Led by Dr. LOU, our chairman and chief executive officer, our highly skilled and experienced management team with diverse expertise and extensive knowledge has significantly contributed to the growth of our institutional knowledge base. Also, their international background, together with their deep understanding of the China market and the open and embracing corporate culture of our Group, provide us with global expansion capabilities. In addition, our management team has established a highly experienced talent pool with strong execution capabilities. As of June 30, 2019, we had over 5,500 scientists and research technicians in China, the U.K. and the U.S. In order to develop and train our talents, we provide continuous training programs to our employees through "Pharmaron College," visiting scholar programs and various symposiums, forums and lectureship. Through these initiatives, our team members can acquire updates on the most advanced technology and techniques, thereby supporting our continued and sustainable expansion with a cohesive, vibrant and stable mid-level management team.

We experienced significant growth during the Track Record Period and our A Shares have been listed on the Shenzhen Stock Exchange since January 2019. Our revenue increased significantly from RMB1,634.2 million in 2016 to RMB2,294.1 million in 2017 and further to RMB2,908.1 million in 2018, representing a CAGR of 33.4%, and increased from RMB1,270.6 million in the six months ended June 30, 2018 to RMB1,636.5 million in the same period of 2019. Our net profit increased significantly from RMB171.3 million in 2016 to RMB218.7 million in 2017 and further to RMB335.8 million in 2018, representing a CAGR of 40.0%, and increased from RMB120.4 million in the six months ended June 30, 2018 to RMB156.7 million in the same period of 2019. The increases in our revenue and net profit during the Track Record Period were primarily due to the strong and growing demand for our pharmaceutical R&D services from customers both in China and overseas.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

- Leading fully-integrated pharmaceutical R&D service platform with strong capabilities and comprehensive service offerings across the globe;
- Global operations with state-of-the-art technologies to provide customized solutions;
- Well positioned to capture growth opportunities arising from the continued industry landscape evolvement;
- Reputable, loyal and expanding customer base that contributes to our sustainable growth and business collaboration; and
- Dedicated, stable and visionary management team supported by experienced talent pool.

OUR STRATEGIES

We aim to further strengthen our fully-integrated pharmaceutical R&D platform to accelerate global drug innovation. We plan to execute the following key strategies to achieve our goal:

- Continue to maintain our leading position in pharmaceutical R&D services of small molecule innovative drugs and further expand our development service offerings;
- Continue to develop and acquire innovative pharmaceutical R&D technologies;
- Further capitalize on the evolving and fast-growing China market;
- Deepen collaborations with existing customers and broaden customer base;
- Further strengthen capabilities for biologics; and
- Continue to attract, train and retain talents to support our long-term and sustainable growth.

OUR PLATFORM AND INTEGRATED SOLUTIONS

Since our inception, we have successfully evolved from a pure chemistry service provider through drug discovery, to a fully integrated contract research, development and manufacturing organization, providing services across a number of scientific disciplines covering the entire spectrum of drug discovery and development. Our integrated solution combines pharmaceutical R&D services under three major categories: laboratory services, clinical development services and CMC services. Our laboratory services primarily cover various scientific functions and disciplines for drug discovery and preclinical development stages; our clinical development services primarily cover various scientific functions and disciplines for clinical development stage; and our CMC services primarily cover the preclinical, clinical and commercial manufacturing stages.

We have established our leadership in drug discovery and early-stage clinical development, while we continue to expand our capabilities in late-stage clinical development and commercial manufacturing. Through our end-to-end service platform with operations in China, the U.S. and the U.K., we serve the needs of our diverse, expanding global customer base, which ranges from large multinational pharmaceutical companies to venture-backed start-ups and virtual biotech companies. We provide our customers with world class services, customized solutions and state-of-the-art technical capabilities, enabling them to potentially reduce associated development costs and risks, to relieve the need to invest significant resources to develop their in-house capabilities and to improve overall efficiency throughout the drug discovery and development process. The chart below illustrates our key service offerings in each stage of the pharmaceutical R&D process:

For further details, please refer to the paragraph headed "Business—Our Platform and Integrated Solutions" in this prospectus.

OUR CUSTOMERS

We have provided our services to over 1,000 customers worldwide since our inception. Most of our customers are pharmaceutical and biotech companies, including many major global players. We have a diversified customer base, with customers located in the North America, China, Europe and the rest of the world accounting for approximately 62.2%, 10.2%, 21.7% and 5.9%, respectively, of our revenue for the year ended December 31, 2018. In addition to large pharmaceutical companies, such as the global top 20 pharmaceutical companies in 2018, we also provide comprehensive and customized services responding to the needs of a growing group of diverse biotech start-ups and virtual pharmaceutical companies. In 2016, 2017, 2018, the six months ended June 30, 2019 and the nine months ended September 30, 2019, we provided pharmaceutical R&D services to 623, 767, 846, 780 and 937 customers, respectively.

We are devoted to enhancing the breadth of our services and providing customized services to target customers with unique needs and demands. We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. Many of our customers return to us for additional projects, and our revenue generated from existing customers increased during the Track Record Period. Revenue generated from our existing customers amounted to RMB1,381.3 million, RMB1,956.1 million, RMB2,753.3 million and RMB1,559.0 million in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively, accounting for 84.5%, 85.3%, 94.7% and 95.3% of our total revenue in each year. During the Track Record Period, we achieved 100% retention for our top ten customers.

In 2016, 2017, 2018 and the six months ended June 30, 2019, our five largest customers together accounted for 35.8%, 30.9%, 24.8% and 21.7%, respectively, of our revenue, and our largest customer accounted for 9.7%, 7.7%, 5.7% and 5.9%, respectively, of our revenue. None of our Directors, their respective close associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

OUR FEE MODELS

Our service fee arrangement can be divided into two primary models: (i) a fee-for-service (FFS) model and (ii) a full-time-equivalent (FTE) model. Regardless of the fee model chosen, we generally enter into a master service agreement with our customers and receive payments according to a pre-agreed payment schedule specified in the contract or work order issued pursuant to the master service agreement. We determine the fee level for each discovery, development or manufacturing step based on, among other things, the scope of the services required for achieving each step, the estimated costs and expenses of the required services, the amount of time allocated for achieving the relevant discovery, development or manufacturing step, and the market prices charged for similar services.

Fee-for-service Model

Under this model, our customers submit their requirements to us and we provide them with our proposal. The proposal sets out the service fee for the services we are required to provide at each step in the discovery, development or manufacturing services that fall under the scope of work in the contract or work order. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step, as well as the corresponding payment. When negotiating our customer contracts, we take into consideration a number of factors, including the nature and complexity of the project and the customer's need for our services.

Full-time-equivalent Model

Under this model, we allocate employees to the customer's projects at a fixed rate per employee per period of time, which is known as "full-time equivalent." During this period of time, the designated employees are dedicated to such customer's project exclusively. We determine the level of service fees based on the number of scientists and research technicians and the amount of time required for completing a given project, among other considerations.

For further details, please refer to the paragraph headed "Business—Our Fee Models" in this prospectus.

OUR SUPPLIERS

Due to our comprehensive service offerings, we procure a wide variety of raw materials, such as experiment reagents and equipment. The raw materials and equipment are generally readily available in the market through a number of suppliers in quantities adequate to meet our needs. We carefully select our suppliers based on factors including their qualifications, product selection, quality, reputation, pricing, business scale, technological strengths, quality management capabilities and overall services. In addition, we regularly monitor and review the performance of our suppliers and conduct on-site audits for our key suppliers on an as-needed basis. We have maintained stable relationships with many of our key suppliers.

In 2016, 2017, 2018 and the six months ended June 30, 2019, our five largest suppliers together accounted for 34.9%, 15.9%, 12.4% and 10.8%, respectively, of our total purchases, and our largest supplier accounted for 25.0%, 4.0%, 3.1% and 2.7%, respectively, of our total purchases. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material dispute with our suppliers or any material breach of our supply contracts or agreements. Except for Beijing Kangtaibo, a related party to our Group who leased certain properties and provided property management services to us in 2016 and 2017, none of our Directors, their respective close associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

INTELLECTUAL PROPERTY

As a pharmaceutical R&D service provider, our scientists and technicians are devoted to high quality R&D services to our customers. In order to stay at the forefront of the industry and maintain our competitiveness, we invest in developing a number of proprietary technologies and service platform with an emphasis on methodologies, processes, analytics, systems and other know-how to further enhance our R&D service capabilities.

In addition, due to the nature of our services, we have access to a significant amount of intellectual property owned by our customers. Our customers retain ownership of all intellectual property associated with their projects, including the intellectual property that they provide to us

and the intellectual property arising from the services we provide. We enter into agreements with all of our scientists and research technicians under which they assign all of the intellectual property they create during their employment to us or our customers, as applicable, and waive all relevant intellectual property rights or claims. Protecting the proprietary rights of our customers has been a top priority since our inception. We take various measures and maintain management and IT systems to ensure that our customers' intellectual properties are well protected, and we maintain an excellent track record of intellectual property protection to date. Our commitment to intellectual property protection helped us to expand our customer base via word-of-mouth referrals. Please refer to the paragraph headed "Business—Intellectual Property" in this prospectus for more details.

BUSINESS DEVELOPMENT AND MARKETING

We market our pharmaceutical R&D services directly to pharmaceutical and biotech companies through a globally centralized business development team who are equipped with solid science background. Our business development team interacts with potential and existing customers regularly to better understand their scientific needs and development strategies. Our business development team's profound understanding of customers' needs further enable us to provide customized pharmaceutical R&D services.

Our business development and marketing specialists are strategically located in key pharmaceutical R&D hotspots in China, the U.S. and the U.K., to conduct on-the-ground activities. Leveraging our end-to-end service offerings, we are able to cross-sell our services of different scientific functions to our customers and in the meantime offer our comprehensive services covering the drug discovery and development stages as their pharmaceutical R&D projects progress further. As our business and customer base continue to increase, we plan to further expand our business development and marketing force accordingly.

OUR FACILITIES

As of June 30, 2019, we had twelve operation sites and branch offices, which include sites located in Beijing, Tianjin, Xi'an, Nanjing, Shanghai and Ningbo in China; Baltimore, Maryland and Germantown, Maryland in the U.S.; and Cardiff, Rushden and Hoddesdon in the U.K. For further details, please refer to the paragraph headed "Business—Our Facilities and Offices" in this prospectus.

COMPETITION

We face competition from other pharmaceutical R&D service providers, including CROs and CMOs. The market in which we operate is highly fragmented. The five largest CROs and CMOs by revenue accounted for 22.2% of the global pharmaceutical R&D services market by revenue in 2018, which amounted to US$84.7 billion, according to Frost & Sullivan. There are also a substantial number of small- to medium-sized pharmaceutical R&D service providers, both multinational and locally based, which compete for market share.

We compete with other market players based on factors including quality and breadth of services, ability to protect our customers' intellectual property or other confidential information, timeliness of delivery, ability to meet relevant quality standards for different types of services such as GLP and cGMP, depth of customer relationships, pricing and geographical coverage. Our core competitive edge is our integrated service offering that covers the entire research and development process, as well as our ability to provide our customers with an end-to-end service platform that saves customers' time and money. In addition, our sizable scientific team enables us to respond to our customers' increasing demand and customized requests for external pharmaceutical R&D services in a timely manner.

SUMMARY FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set out in Appendix I to this prospectus, together with the respective accompanying notes.

Summary of Consolidated Statements of Profit or Loss

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
							(unaudited)			
REVENUE	1,634,239	100%	2,294,118	100%	2,908,123	100%	1,270,573	100%	1,636,513	100%
Cost of sales	(1,136,333)	(69.5%)	(1,519,653)	(66.2%)	(1,960,073)	(67.4%)	(872,287)	(68.7%)	(1,114,088)	(68.1%)
Gross profit	497,906	30.5%	774,465	33.8%	948,050	32.6%	398,286	31.3%	522,425	31.9%
Other income and gains	39,034	2.4%	16,164	0.7%	53,759	1.8%	10,219	0.8%	21,263	1.3%
Other expenses	(4,465)	(0.3%)	(35,951)	(1.6%)	(6,767)	(0.2%)	(1,802)	(0.1%)	(12,606)	(0.8%)
Selling and distribution expenses	(32,038)	(2.0%)	(47,163)	(2.1%)	(54,647)	(1.9%)	(23,417)	(1.8%)	(28,766)	(1.8%)
Administrative expenses	(252,328)	(15.4%)	(345,773)	(15.1%)	(420,456)	(14.5%)	(187,501)	(14.8%)	(241,463)	(14.8%)
Research and development costs	(16,444)	(1.0%)	(22,608)	(1.0%)	(31,611)	(1.1%)	(14,554)	(1.1%)	(26,687)	(1.6%)
Impairment losses on financial and contract assets, net of reversal	(1,734)	(0.1%)	(2,151)	(0.1%)	(8,886)	(0.3%)	(980)	(0.1%)	724	0%
Finance costs	(21,377)	(1.3%)	(68,536)	(3.0%)	(82,366)	(2.8%)	(38,755)	(3.1%)	(42,399)	(2.6%)
Share of losses of associates	—	—	—	—	(1,132)	(0%)	—	—	(5,798)	(0.4%)
Profit before tax	208,554	12.8%	268,447	11.7%	395,944	13.6%	141,496	11.1%	186,693	11.4%
Income tax expense	(37,220)	(2.3%)	(49,783)	(2.2%)	(60,101)	(2.1%)	(21,104)	(1.7%)	(30,012)	(1.8%)
Profit for the year/period	171,334	10.5%	218,664	9.5%	335,843	11.5%	120,392	9.5%	156,681	9.6%

We operate our integrated pharmaceutical R&D services through three main business segments, namely, laboratory services, clinical development services and CMC services. We primarily generate revenue from fee income for the services provided to our customers under the FTE or FFS models. We had an increase in both the numbers of customers and projects, as well as an increase in revenue per customer, over the course of the Track Record Period. We recorded total revenue of RMB1,634.2 million, RMB2,294.1 million, RMB2,908.1 million, RMB1,270.6 million and RMB1,636.5 million for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively.

The table below sets forth a breakdown of our revenue by segment and its respective percentage for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
Laboratory services	1,158,212	70.8%	1,489,876	65.0%	1,895,755	65.2%	852,534	67.1%	1,059,856	64.8%
Clinical development services	148,240	9.1%	225,174	9.8%	347,504	11.9%	153,608	12.1%	190,215	11.6%
CMC services	327,747	20.1%	562,891	24.5%	645,824	22.2%	254,709	20.0%	376,885	23.0%
Others	40	0%	16,177	0.7%	19,040	0.7%	9,722	0.8%	9,557	0.6%
Total	1,634,239	100%	2,294,118	100%	2,908,123	100%	1,270,573	100%	1,636,513	100%

The table below sets forth a breakdown of our revenue by fee model for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
FTE	682,124	41.7%	917,515	40.0%	1,233,620	42.4%	552,353	43.4%	634,517	38.8%
FFS	952,075	58.3%	1,360,426	59.3%	1,655,463	56.9%	708,498	55.8%	992,439	60.6%
Other	40	0.0%	16,177	0.7%	19,040	0.7%	9,722	0.8%	9,557	0.6%
Total	1,634,239	100.0%	2,294,118	100.0%	2,908,123	100.0%	1,270,573	100.0%	1,636,513	100.0%

The table below sets forth a breakdown of our gross profit during the Track Record Period and the respective gross profit margin by segment:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	Gross Profit Margin	RMB'000	Gross Profit Margin	RMB'000	Gross Profit Margin	RMB'000	Gross Profit Margin	RMB'000	Gross Profit Margin
							(unaudited)			
Laboratory services	395,147	34.1%	597,434	40.1%	709,554	37.4%	313,180	36.7%	395,361	37.3%
Clinical development services	20,610	13.9%	35,019	15.6%	88,609	25.5%	40,172	26.2%	43,867	23.1%
CMC services	82,109	25.1%	132,484	23.5%	139,833	21.7%	39,442	15.5%	77,486	20.6%
Others	40	100.0%	9,528	58.9%	10,054	52.8%	5,492	56.5%	5,711	59.8%
Total	497,906	30.5%	774,465	33.8%	948,050	32.6%	398,286	31.3%	522,425	31.9%

Summary of Consolidated Statements of Financial Position

	As at December 31,			As at June 30,	As at September 30,
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total current assets	1,092,744	1,070,843	1,276,107	1,604,706	1,715,836
Total current liabilities	678,098	980,654	1,308,048	1,436,762	1,457,742
Net Current Assets/Liabilities	414,646	90,189	(31,941)	167,944	258,094

We recorded net current liabilities of RMB31.9 million as of December 31, 2018 primarily due to (i) a RMB156.3 million increase in other payables and accruals in connection with our staff payroll and the construction of our Ningbo facilities, (ii) a RMB67.8 million increase in short-term interest-bearing bank and other borrowings as some long-term borrowings would mature within one year and were classified as current liabilities and (iii) a RMB80.2 million increase in contract liabilities as a result of the strong demand for our services. We subsequently recorded net current assets of RMB167.9 million as of June 30, 2019, primarily due to the net proceeds of RMB432.9 million that we received in connection with our A Share Offering. Our net current assets further increased to RMB258.1 million as of September 30, 2019, primarily due to an increase in trade receivables of RMB98.3 million which is in line with the growth of our revenue.

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Operating cash flow before working capital adjustments	405,149	574,742	809,286	331,989	413,524
Net cash flows generated from operating activities	260,460	594,138	790,744	158,037	252,315
Net cash flows used in investing activities	(1,139,082)	(1,279,911)	(714,599)	(323,917)	(502,067)
Net cash generated from/(used in) financing activities	1,256,275	530,314	(69,046)	87,359	278,194
Net increase/(decrease) in cash and cash equivalents	377,653	(155,459)	7,099	(78,521)	28,442
Cash and cash equivalents at beginning of year/period	74,987	461,944	293,601	293,601	307,235
Effect of foreign exchange rate changes, net	9,304	(12,884)	6,535	(269)	(4,353)
Cash and cash equivalents at end of year/period	461,944	293,601	307,235	214,811	331,324

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2016	2017	2018	2019
		(%)		
Profitability ratios				
Gross profit margin[(1)]	30.5	33.8	32.6	31.9
Net profit margin[(2)]	10.5	9.5	11.5	9.6
Return on equity[(3)]	17.8	11.9	15.6	—
Liquidity ratio				
Current ratio[(4)]	161.1	109.2	97.6	111.7
Leverage ratio				
Gearing ratio[(5)]	11.2	31.6	27.7	22.1

Notes:

(1) Gross profit margin is calculated using gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated using profit for the year/period divided by revenue and multiplied by 100%.

(3) Return on equity is calculated using profit for the year attributable to equity shareholders of our Company divided by the average of the opening and closing balances of equity attributable to shareholders of our Company in the relevant year and multiplied by 100%.

(4) Current ratio is calculated using total current assets divided by total current liabilities and multiplied by 100%.

(5) Gearing ratio is calculated using interest-bearing borrowings and lease liabilities, less cash and cash equivalents divided by total assets and multiplied by 100%.

OUR FOUNDERS AND THEIR VOTING ARRANGEMENT

Dr. LOU, Mr. LOU and Ms. ZHENG are our Founders and our executive Directors. Dr. LOU and Mr. LOU are brothers, and Mr. LOU and Ms. ZHENG are spouses. They have worked together as a team for over 15 years and have established a strong long-term business relationship. For details of their biographies and work experience, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus. Each of Dr. LOU, Mr. LOU and Ms. ZHENG has entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement). For details of their voting arrangement, please refer to the section headed "History and Corporate Structure" in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

We have entered into one transaction which would constitute partially-exempt continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules after the Listing. Further particulars about such transaction together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules are set out in the section headed "Connected Transactions" in this prospectus.

RECENT DEVELOPMENT

On August 15, 2019, our shareholders passed a resolution to issue up to 5,651,359 A Shares of our Company under the A Share Incentive Scheme, including 4,521,087 Restricted A Shares at a subscription price of RMB 17.85 per A Shares and 1,130,272 A Shares reserved for future option grants. As of the Latest Practicable Date, 4,077,387 Restricted A Shares had been granted to and subscribed by eligible employees, representing 0.62% of the share capital of our Company as of the Latest Practicable Date, while the other Restricted A Shares granted were not taken up. These Restricted A Shares have a vesting period of no more than four years and the transfer restrictions on such shares shall be released over a three year period, with 40%, 30% and 30% of the awards to be released on the first, second and third anniversary date of the A Shares registration date, respectively, and upon relevant annual performance conditions being met.

On October 26, 2019, we published our unaudited financial results for the first three quarters of 2019 in accordance with the listing rules of the Shenzhen Stock Exchange. For the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, our revenue increased by 29.0% from RMB2,035.5 million to RMB2,626.5 million, primarily due to increased demand for our pharmaceutical R&D services. Our revenue generated from our laboratory services increased by 23.6% from RMB1,367.9 million for the nine months ended September 30, 2018 to RMB1,690.7 million for the same period of 2019. Our revenue generated from our clinical development services increased by 25.6% from RMB249.7 million for the

nine months ended September 30, 2018 to RMB313.5 million for the same period of 2019. Our revenue generated from our CMC services increased by 50.9% from RMB403.0 million for the nine months ended September 30, 2018 to RMB608.0 million for the same period of 2019. Our gross profit also increased by 35.4% from RMB649.5 million in the nine months ended September 30, 2018 to RMB879.6 million in the same period of 2019. Our gross profit margin remained relatively stable at 31.9% and 33.5% in the nine months ended September 30, 2018 and 2019, respectively. For further details, please refer to the Interim Financial Report set out in Appendix IA to this prospectus.

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2019 (being the date of the latest audited consolidated statements of financial position of our Group as set out in the Accountant's Report in Appendix I to this prospectus) and up to the date of this prospectus.

USE OF PROCEEDS

The net proceeds from the Global Offering which our Company will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee of 1% of the aggregate Offer Price of all the Offer Shares under the Global Offering) and the estimated expenses in relation to the Global Offering (assuming the Over-allotment Option is not exercised), will be approximately HK$4,065.3 million, assuming an Offer Price of HK$37.00 (being the mid-point of the Offer Price range).

Our Company intends to use the net proceeds of HK$4,065.3 million, assuming an Offer Price of HK$37.00 (being the mid-point of the Offer Price range), from the Global Offering (assuming the Over-allotment Option is not exercised) for the following purposes:

Percentage and Amount of Net Proceeds	Intended Application
Approximately 30.0%, or HK$1,219.6 million, . . .	to expand capacities and capabilities of our laboratory and manufacturing facilities in the PRC
Approximately 10.0%, or HK$406.5 million,.	to fund further expansion of our businesses in the U.S. and U.K.
Approximately 20.0%, or HK$813.1 million,.	to establish our pharmaceutical R&D services platform for discovery and development of biologics
Approximately 15.0%, or HK$609.8 million,.	for our expansion in clinical development services
Approximately 15.0%, or HK$609.8 million,.	to expand our capacity and/or capabilities through potential acquisitions of CRO and CMO companies and/or businesses
Approximately 10.0%, or HK$406.5 million,.	for our general corporate and working capital purposes

For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

DIVIDENDS

We did not pay or declare any dividend to our shareholders for the year ended December 31, 2016, 2017 and 2018. On May 15, 2019, our shareholders approved the 2018 Profit Distribution Plan, pursuant to which an aggregate amount of RMB72.2 million (inclusive of tax) were subsequently paid in July 2019 to our shareholders on the applicable record date, which amounted to a dividend of RMB1.10 (inclusive of tax) for every 10 Shares of our Company.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. We may distribute dividends by way of shares or cash, or a combination of both shares and cash. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Although the calculation of our net profit and distributable profits is in accordance with PRC GAAP, which may differ from the numbers calculated under IFRS, we do not expect such difference to be material and to have any substantive impact on our dividend policy. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders. Under our Articles of Association, when our Company makes profits in the current year and the accumulated undistributed profit is positive, our Company shall give priority to the distribution of cash dividends provided that there is no material capital expenditure or investment in the next 12 months. The total amount of the cash dividend distributed shall be at least 20% of total dividends in the same distribution.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisers and the reporting accountants for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee of 1.0% of the aggregate Offer Price of all the Offer Shares under the Global Offering, the estimated

total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK$246.5 million, among which an estimated amount of HK$4.7 million is expected to be recognized as other expenses and the remaining HK$241.8 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2019.

OFFERING STATISTICS

	Based on an Offer Price of HK$34.50 per Offer Share	Based on an Offer Price of HK$39.50 per Offer Share
Market capitalization of our Shares upon completion of the Global Offering[1][2]	HK$26,803.3 million	HK$30,687.8 million
Unaudited pro forma adjusted consolidated net tangible asset per Offer Share[3]	HK$8.84 per share	HK$9.56 per share

Notes:

(1) All statistics in this table are presented based on the assumption that the Over-allotment Option is not exercised, that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, and that no options are granted or exercised under the A Share Incentive Scheme.

(2) The calculation of market capitalization is based on 776,907,062 Shares expected to be in issue and outstanding following the completion of the Global Offering and the market value of each Share being the Offer Price.

(3) The unaudited pro forma adjusted consolidated net tangible asset per Offer Share upon the completion of the Global Offering is calculated after making the adjustments referred to in "Appendix II—Unaudited Pro Forma Financial Information" in this Prospectus.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors" in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares. Some of the major risks that we face include:

- Our business largely depends on our customers' demand for pharmaceutical R&D services and their budget for R&D expenditure.
- Our success depends on our ability to attract, train, retain and motivate highly skilled scientists and other technical personnel.
- The continuing and collaborative efforts of our senior management and key scientific personnel are crucial to our success, and our business could be severely disrupted if we lose their services.
- If we fail to protect the intellectual property rights or confidential information of our customers, we may be subject to legal liabilities and our reputation may be damaged.
- Any failure to comply with existing laws, regulations and industry standards or any adverse actions by the competent authorities against us could adversely affect our reputation and our business, financial condition, results of operations and prospects.
- Our failure to obtain or renew certain approvals, licenses, permits or certificates required for our business may materially and adversely affect our business.
- We face foreign exchange risk, and fluctuations in exchange rates could have a material adverse effect on our financial condition and results of operations.
- We face increasing competition and may not be able to compete effectively, which may result in downward pricing pressure or reduced demand for our services.
- We may not be able to execute our growth strategies or manage our growth effectively.
- If our service quality does not meet our customers' evolving needs, or if we fail to meet our customers' audit and inspections, our customers may not continue to purchase our services.
- Our business may be materially and adversely affected by the increasing trade tensions between the U.S. and China.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shenzhen Stock Exchange and traded in Renminbi
"A Share Incentive Scheme"	the share incentive scheme adopted by our Company on August 15, 2019, the principal terms are summarized in the paragraph headed "Appendix VII—Statutory and General Information—2. Further Information about our Business—B. Share Incentive Schemes" in this prospectus
"A Share Offering"	the initial public offering and listing of A Shares of our Company on the Shenzhen Stock Exchange in January 2019
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus
"Beijing Kangtaibo"	Beijing Kangtaibo Technology Development Co., Ltd. (北京康泰博科技發展有限公司), an affiliate of our Company controlled by Ms. ZHENG and her family relatives
"Beijing Xirui"	Beijing Xirui Biotechnology Co., Ltd. (北京希睿醫藥科技有限公司), a company incorporated in PRC on September 30, 2018, which is held as to 100% by Nanjing Ximaidi, our subsidiary
"Board" or "Board of Directors"	the Board of Directors of our Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFIUS"	Committee on Foreign Investment in the United States
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan
"CITIC M&A Fund"	CITIC M&A Fund Management Co., Ltd (中信併購基金管理有限公司), a company established in the PRC on September 4, 2012 with limited liability and is wholly-owned by Gold Stone Investment, which is in turn wholly-owned by CITIC Securities Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6030)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, Pharmaron Beijing Ltd. (康龍化成(北京)新藥技術有限公司) was established under the laws of the PRC as an enterprise legal person in July 2004, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 300759) and if the context requires, includes its predecessor

"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法) as amended, supplemented or otherwise modified from time to time, which was lately amended on October 26, 2018 to take effective on the same date
"CR Medicon"	Nanjing Sirui Biotechnology Co., Ltd. (南京思睿生物科技有限公司), a company incorporated in PRC on February 7, 2018 and is held as to 55.56% by our Company
"CR Medicon Research"	CR Medicon Research, Inc., a company incorporated in the State of Delaware on February 11, 2019, which is held as to 100% by Nanjing Ximaidi, our subsidiary
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Dr. LOU"	Dr. LOU Boliang (樓柏良), our chairman, chief executive officer and executive Director, and a substantial shareholder upon Listing. Dr. LOU is a brother of Mr. LOU
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"EMA"	European Medicines Agency, a European Union body responsible for the protection and promotion of human and animal health by means of evaluating and monitoring medicines within the European Union and the European Economic Area
"EU"	European Union
"Exchange Participants"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"F&S Report"	the industry report Commissioned by us and independently prepared by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this prospectus
"FDA"	the Food and Drug Administration of the United States
"Founders" or "our Founders"	Dr. LOU, Mr. LOU and Ms. ZHENG

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"FVTPL"	fair value through profit or loss
"GAAP"	Generally Accepted Accounting Principles
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Gold Stone Investment"	Gold Stone Investment Co., Ltd. (金石投資有限公司), a company established in the PRC on October 11, 2007 with limited liability and is wholly-owned by CITIC Securities Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6030)
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	overseas-listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

"Hong Kong Offer Shares"	the 11,653,700 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "Structure of the Global Offering—The Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting—Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 13, 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the paragraph headed "Underwriting—Underwriting Arrangements and Expenses" in this prospectus
"IIT Law"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》)
"Independent Third Party(ies)"	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules as far as our Directors are aware after having made all reasonable enquiries
"International Offer Shares"	the 104,882,400 H Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)

"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price to persons outside the United States in offshore transactions in accordance with Regulation S, and to persons within the United States who are QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around November 20, 2019 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in the paragraph headed "Underwriting—The International Offering" in this prospectus
"Joint Bookrunners"	Goldman Sachs (Asia) L.L.C., CLSA Limited, Orient Securities (Hong Kong) Limited and China Renaissance Securities (Hong Kong) Limited
"Joint Global Coordinators"	Goldman Sachs (Asia) L.L.C., CLSA Limited and Orient Securities (Hong Kong) Limited
"Joint Sponsors"	Goldman Sachs (Asia) L.L.C., CLSA Capital Markets Limited and Orient Capital (Hong Kong) Limited
"Latest Practicable Date"	November 6, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Legend Capital"	Legend Capital Co., Ltd. (君聯資本管理股份有限公司) (formerly known as Legend Capital Investment Co., Ltd. (聯想投資有限公司)), a company established in the PRC in November 19, 2003 and is owned as to 80% by Beijing Juncheng Hezhong Investment Management Partnership (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and 20% by Legend Holdings Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 3396). Legend Capital controls and is deemed to be interested in our A Shares held by Tianjin Junlian Wenda Equity Investment Partnership (Limited Partnership) (天津君聯聞達股權投資合夥企業(有限合夥)) and Beijing Junlian Maolin Equity Investment Partnership (Limited Partnership) (北京君聯茂林股權投資合夥企業(有限合夥))

"LinkStart"	Beijing LinkStart Biotechnology Co., Ltd. (北京聯斯達醫藥科技發展有限公司), a company incorporated in PRC on July 19, 2012, one of our associates. We own 48% of the equity interests in LinkStart. The other shareholders of LinkStart include Liu Yang (22.4%), Qiu Shuangjun (1.6%), Beijing Deshu Enterprise Management Center (Limited Partnership) (8%), and Yu Yuejiang (20%), each being an Independent Third Party
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around November 28, 2019, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. LOU"	Lou Xiaoqiang (樓小強), our chief operating officer, president and executive Director, and a substantial shareholder upon Listing. Mr. LOU is a brother of Dr. LOU and the spouse of Ms. ZHENG
"Ms. ZHANG"	Jane Jinfang ZHANG, the spouse of Dr. LOU

"Ms. ZHENG"	Zheng Bei (鄭北), our executive vice president and executive Director, and a substantial shareholder upon Listing. Ms. ZHENG is the spouse of Mr. LOU
"Nanjing Ximaidi"	Nanjing Ximaidi Medical Technology Co., Ltd. (南京希麥迪醫藥科技有限公司) a company incorporated in PRC on January 20, 2017, which is held as of 100% by CR Medicon, our subsidiary
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NMPA"	National Medical Product Administration (國家藥品監督管理局) (formerly known as China Food and Drug Administration), the authority responsible for approving drug and biologic products in China
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not less than HK$34.50 and expected to be not more than HK$39.50, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the paragraph headed "Structure of the Global Offering—Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 17,480,400 additional H Shares at the Offer Price to, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the central bank of the People's Republic of China (中國人民銀行)

"Pharmaron ABS"	Pharmaron ABS, Inc., formerly known as Xceleron Inc., a company incorporated in the U.S. on October 31, 2001, which is held as to 100% by Pharmaron HK International, our wholly-owned subsidiary
"Pharmaron Biologics HK"	Pharmaron Biologics (Hong Kong) Limited, a company incorporated in Hong Kong on June 11, 2018, which is held as to 100% by Pharmaron HK International, our wholly-owned subsidiary
"Pharmaron CPC"	Pharmaron CPC, Inc., formerly known as SNBL Clinical Pharmacology Center, Inc., a company incorporated in the U.S. on October 7, 2004, which is held as to 80% by Pharmaron HK International, our wholly-owned subsidiary, and 20% by Shin Nippon Biomedical Laboratories, Ltd.
"Pharmaron CRI"	Pharmaron CRI (Ningbo) Co., Ltd. (康龍化成手性醫藥技術(寧波)有限公司), a company incorporated in the PRC on August 18, 2016, which is held as to 100% by Pharmaron Ningbo, our wholly-owned subsidiary
"Pharmaron HK International"	Pharmaron (Hong Kong) International Limited, a company incorporated in Hong Kong on December 31, 2015, our wholly-owned subsidiary
"Pharmaron HK Investment"	Pharmaron (Hong Kong) Investments Limited, a company incorporated in Hong Kong on February 11, 2016, which is held as to 100% by Pharmaron HK International, our wholly-owned subsidiary
"Pharmaron, Inc."	Pharmaron, Inc., a company incorporated in the U.S. on December 22, 2006, which is held as to 100% by Pharmaron US, Inc., our wholly-owned subsidiary
"Pharmaron Ningbo"	Pharmaron Ningbo Co., Ltd. (康龍化成(寧波)新藥技術有限公司), a company incorporated in the PRC on January 9, 2015, our wholly-owned subsidiary
"Pharmaron Ningbo Biologics"	Pharmaron (Ningbo) Biologics Co., Ltd. (寧波康龍生物技術有限公司), a company incorporated in PRC on August 31, 2018, which is held as to 100% by Pharmaron Biologics HK, our wholly-owned subsidiary

"Pharmaron Ningbo Tech"	Pharmaron (Ningbo) Technology Development Co., Ltd. (康龍化成(寧波)科技發展有限公司), formerly known as Ningbo KTB Technology Development Co., Ltd. (寧波康泰博科技發展有限公司), a company incorporated in the PRC on January 12, 2015, which is held as to 61.54% by our Company and 38.46% by Pharmaron Ningbo, our wholly-owned subsidiary
"Pharmaron Shanghai"	Pharmaron Shanghai Co., Ltd. (康龍化成(上海)新藥技術有限公司), a company incorporated in the PRC on February 11, 2018, our wholly-owned subsidiary
"Pharmaron Shaoxing"	Pharmaron Shaoxing Co., Ltd. (康龍化成(紹興)藥業有限公司), a company incorporated in the PRC on January 3, 2017, our wholly-owned subsidiary
"Pharmaron Tianjin"	Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. (康龍化成(天津)藥物製備技術有限公司), a company incorporated in the PRC on July 16, 2008, our wholly-owned subsidiary
"Pharmaron TSP"	Pharmaron (Beijing) TSP Services Co., Ltd. (康龍化成(北京)生物技術有限公司), a company incorporated in the PRC on January 11, 2006, our wholly-owned subsidiary
"Pharmaron UK"	Pharmaron UK Limited, formerly known as Quotient Bioresearch Group Limited, a company incorporated in the U.K. on October 30, 2013, which is held as to 100% by Pharmaron HK International, our wholly-owned subsidiary
"Pharmaron UK Bioresearch"	Quotient Bioresearch (Rushden) Limited, a company incorporated in the U.K. on August 7, 2000, which is held as to 100% by Pharmaron UK
"Pharmaron UK Radiochemicals"	Quotient Bioresearch (Radiochemicals) Limited, a company incorporated in the U.K. on April 9, 2009, which is held as to 100% by Pharmaron UK
"Pharmaron US, Inc."	Pharmaron US, Inc., a company incorporated in the U.S. on August 1, 2015 and our wholly-owned subsidiary
"Pharmaron Xi'an"	Pharmaron Xi'an Co., Ltd. (康龍化成(西安)新藥技術有限公司), a company incorporated in the PRC on May 11, 2010, our wholly-owned subsidiary
"PRC GAAP"	generally accepted accounting principles of the PRC

"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around November 21, 2019 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event no later than November 26, 2019
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Restricted A Shares"	the restricted A Shares granted by our Company under the A Share Incentive Scheme
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (中國國家税務總局)
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)

"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange (深圳證券交易所)
"Shenzhen Stock Exchange Listing Rules"	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (深圳證券交易所股票上市規則) as amended from time to time
"SOP"	standard operating procedure
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended from time to time
"sq.m."	square meter
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)"	member(s) of our Supervisory Committee
"Track Record Period"	the three years ended December 31, 2018 and the six months ended June 30, 2019
"U.K."	United Kingdom
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States

"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "subsidiaries" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.

In this prospectus, in addition to terms defined elsewhere and unless the context otherwise requires, the following technical terms have the following meanings.

"^{14}C"	Carbon-14 (^{14}C), or radiocarbon, a radioactive isotope of carbon with an atomic nucleus containing 6 protons and 8 neutrons
"^{3}H"	Tritium or Hydrogen-3, a radioactive isotope of hydrogen, whose nucleus contains one proton and two neutrons
"μCi"	microCuries, radioactivity unit
"AAALAC"	AAALAC International, a private nonprofit organization that promotes the humane treatment of animals in science through voluntary accreditation and assessment programs
"absorption"	within the context of drug metabolism, the process by which drug compounds and other molecules move across cells and tissues such as the gastrointestinal tract into the circulatory system
"ADC"	Antibody-drug Conjugates, a class of biopharmaceutical drugs designed as a targeted therapy
"ADME"	Absorption, Distribution, Metabolism and Excretion, the analysis of the body's processes of altering, utilizing and eliminating ingested and administered drugs and xenobiotics, either in an *in vitro* or *in vivo* setting
"AME"	clinical absorption, metabolism and excretion, the complete drug disposition process
"AMS"	accelerator mass spectrometry, a form of mass spectrometry that accelerates ions to extraordinarily high kinetic energies before mass analysis
"antibody" or "Ab"	also known as an immunoglobulin, a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens such as bacteria and viruses
"API"	Active Pharmaceutical Ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body

"Assay"	an investigative analytical process in medicine, pharmacology or biology that aims to identify either the qualitative or quantitative presence or function of the analytical target, which can be a drug or biochemical substance or a cell in an organism or organic sample
"bioanalysis"	a sub-discipline of analytical science covering the quantitative measurement of xenobiotics (drugs, their metabolites, and biological molecules in unnatural locations or concentrations) and biotics (macromolecules, proteins, DNA, biologics, metabolites) in biological systems
"biohazardous"	of or relating to the health risk posed by the possible release of a pathogen into the environment
"biologics"	a subset of pharmaceuticals that include antibodies, proteins, nucleic acids and ADCs
"CADD"	computer-aided drug design, the use of computers (or workstations) to aid in the creation, modification, analysis, or optimization of novel compounds or biologics
"candidate selection"	a stage in early drug discovery where a compound that indicates highest potential for desirable effects is selected for further intensive study and analysis
"CDISC"	the Clinical Data Interchange Standards Consortium, a standards developing organization dealing with medical research data to develop and advance data standards to transform incompatible formats, inconsistent methodologies, and diverse perspectives into a framework for generating high quality clinical research data
"cGMP" or "GMP"	current Good Manufacturing Practice, regulations enforced by the FDA or other regulatory authorities on pharmaceutical and biotechnology firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"chemoproteomics"	Chemoproteomics is an approach to discovering mechanisms for regulating biological pathways for the purpose of identifying novel biological targets and discovering new pharmaceutical therapies. It is a chemical proteomic method for pharmacological discovery research

"clinical pathology"	the branch of pathology dealing with the study of disease and disease processes by means of chemical, microscopic, and serologic examinations
"clinical trial"	an experiment done in clinical research
"CMC" or "chemistry, manufacturing and controls"	an important and detailed section in a dossier to support clinical studies and marketing applications
"CMO"	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
"commercialization"	the stage in drug development when a new drug is approved and released to the market
"CRO"	Contract Research Organization, a company focused on providing pharmaceutical research and development services to companies in the pharmaceutical markets
"DART"	developmental and reproductive toxicology, the study of fertility, development toxicity and pre/postnatal development and other specialized functional evaluations in connection with the toxicology evaluation for pharmaceuticals
"distribution"	in the context of DMPK, the process by which molecules are transported throughout the body
"DMPK"	drug metabolism and pharmacokinetics, the studies designed to determine the absorption, metabolism, excretion and the kinetic study of a drug or potential drug either in an *in vitro* or *in vivo* setting
"DNA"	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses
"drug discovery"	the process through which potential new medicines are identified and may involve a wide range of scientific disciplines, including biology, chemistry and pharmacology
"*ex vivo*"	Latin for "out of the living"; refers to experimentation or measurements done in or on tissue from an organism in an external environment with minimal alteration of natural conditions
"FFS"	fee-for-service, a payment model whereby services are unbundled and paid for separately

"first-in-human (FIH) studies"	phase I clinical studies which include evaluation of pharmacokinetics, safety and tolerability of an investigational drug in human
"formulation development"	a stage of analyzing and refining the physio-chemical structure of a product to stabilize or enhance its suitability for use in *in vivo* testing. Formulation development may also include assessing delivery options and delivery device compatibility
"FTE"	full-time-equivalent, a payment model based on the number of researchers allocated to, and the duration of, a given project
"fusion protein"	proteins created through the joining of two or more genes that originally coded for separate proteins
"GCP"	Good Clinical Practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"GLP"	Good Laboratory Practice, a quality system of management controls for research laboratories and organizations to try to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical and pharmaceuticals non-clinical safety tests
"GPCRs"	G-protein-coupled receptors, the largest and most diverse group of membrane receptors in eukaryotes. These cell surface receptors act like an inbox for messages in the form of light energy, peptides, lipids, sugars, and proteins
"hit identification" or "HI"	the first committed step for a successful drug discovery project. In this process, the right small molecules, also called hits, binding to the target and modifying its function are identified
"hit-to-lead"	a stage in early drug discovery where small molecule hits from a high throughput screen are evaluated and undergo limited optimization to identify promising lead compounds
"HPLC"	High-Performance Liquid Chromatography, a technique in analytical chemistry used to separate, identify, and quantify each component in a mixture
"HTS"	High-Throughput Screening, a method for scientific experimentation especially used in drug discovery and relevant to the fields of biology and chemistry

"ICH"	International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, a project that brings together the regulatory authorities of Europe, Japan, China, the U.S. and other countries and experts from the pharmaceutical industry in these regions for the purpose of reducing or eliminating the need to duplicate the testing carried out during the research and development of new medicines by recommending ways to achieve greater harmonization in the interpretation and application of technical guidelines and requirements for product registration
"ICP-OES"	inductively coupled plasma optical emission spectrometry, an analytical technique used for the detection of chemical elements
"ICP-MS"	inductively coupled plasma mass spectrometry, a type of mass spectrometry which is capable of detecting metals and several non-metals at low concentrations on non-interfered low-background isotopes
"investigational new drug" or "IND applications"	an experimental drug for which a pharmaceutical company obtains permission to conduct clinical trials before a marketing application for the drug has been approved
"*in vitro*"	Latin for "in glass"; studies *in vitro* are conducted using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
"*in vivo*"	Latin for "within the living"; studies *in vivo* are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done *in vitro*
"LCMS"	liquid chromatography-mass spectrometry, an analytical chemistry technique that combines the physical separation capabilities of liquid chromatography with the mass analysis capabilities of mass spectrometry
"lead generation" or "LG"	lead generation is a stage in early drug discovery where small molecule hits from a high throughput screen (hits) are evaluated and undergo limited optimization to identify promising lead compounds
"lead optimization"	the stage of early drug discovery where promising lead compounds are further optimized in preparation for toxicity assessment prior to human clinical trials

"MAH"	Market Authorized Holder, a certification granted by the NMPA, which allows certain license holders to use a qualified CMO to manufacture pharmaceutical products
"metabolism"	the chemical processes that occur within a living organism in order to maintain life, comprising catabolism (breakdown of larger molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)
"metabolites"	a metabolite of a drug is a compound formed from the drug's original components through metabolism
"method validation"	an assessment of a procedure to ensure it meets its own analytical objectives and produces results with sufficient accuracy, precision and reproductibility
"molecule"	a group of two or more atoms held together by chemical bonds
"NDA"	New Drug Application, the formal application to competent authorities such as the FDA or the NMPA proposing approval of a new pharmaceutical product for sale and marketing
"oncology"	the study and treatment of tumors
"peptide"	small fragments of proteins, composed of amino acids
"pharmacodynamics" or "PD"	the study of the biochemical and physiologic effects of drugs (especially pharmaceutical drugs)
"pharmacokinetics" or "PK"	the branch of DMPK concerned with the kinetic study of absorption, distribution and excretion of drugs or potential drugs either in an *in vitro* or *in vivo* setting
"pharmacology"	the branch of medicine concerned with the uses, effects, and modes of action of drugs
"POC"	proof of concept, a realization of a certain method or idea in order to demonstrate its feasibility, or a demonstration in principle with the aim of verifying that some concept or theory has practical potential. In a medical setting, POC means a realization of adequate medical efficacy and safety have been demonstrated in patients by interfering with intended biological targets with medicines
"preclinical"	of or relating to a stage preceding a clinical stage

"radioisotope based compound synthesis-clinical-analysis techniques"	a platform that combines the synthesis of a radioactive compound, its test in human and analysis of the parent drug/metabolites in human fluids and excretes
"recombinant"	of or relating to the combination of genetic materials from more than one origin
"release testing"	an assessment of the measure of release of the active pharmaceutical ingredient (API) from the drug product matrix in controlled conditions
"siRNA"	small interfering RNA (siRNA), sometimes known as short interfering RNA or silencing RNA, which is a class of double-stranded RNA molecules, 20-25 base pairs in length, and operating within the RNA interference (RNAi) pathway
"small molecule"	within the fields of molecular biology and pharmacology, a low molecular weight organic compound that may regulate a biological process, with a size in the order of 1 nanometer
"SMO"	Site Management Organization, an organization that provides clinical trial related services to a CRO, a pharmaceutical company, a biotech company, a medical device company or a clinical site
"synthesis"	the production of chemical compounds by reaction from simpler materials
"validation"	a process that involves performing laboratory tests to verify that a particular instrument program, or measurement technique is working properly and is capable of being relied upon

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as "may", "will", "should", "would", "could", "believe", "expect", "anticipate", "intend", "plan", "continue", "seek", "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- our dividend policy;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and
- certain statement in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Any investment in the H Shares involves a high degree of risk. Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our H Shares. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition, future prospects or on the trading price of our H Shares, and could cause you to lose all or part of your investment. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on the business, financial condition and results of operations of our Company.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Global Offering. Additional risks and uncertainties presently not known to us or not expressed or implied below or those we currently deem immaterial could also harm our business, financial condition and results of operations. You should consider our business and prospects in light of the risks we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our business largely depends on our customers' demand for pharmaceutical R&D services and their budget for R&D expenditure. Any reduction in demand from our customers could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are a leading fully-integrated pharmaceutical R&D service platform with global operations to accelerate drug innovation for our customers. The success of our business largely depends on the number and size of service agreements that we obtain from our customers, including pharmaceutical and biotechnology companies, pursuant to which these customers outsource their R&D projects to us. Over the past several years, we have benefitted from an increased demand for our services primarily as a result of the continued growth of the pharmaceutical and biotechnology industry and increasing R&D expenditures of our customers.

Although the global pharmaceutical and biotechnology industries are expected to continue to grow driven by aging populations, high levels of disposable income and spending on healthcare, there can be no assurance that these industries will continue to grow at rates we expect or at all. Please refer to the section headed "Industry Overview" in this prospectus for more details. Any slowing or reversal of such trends may cause our customers to hold off their R&D projects or to reduce their R&D budget, thereby diminishing the growth in our business and materially and adversely affect our business, financial condition, results of operations and prospects.

With the growth in the global pharmaceutical and biotechnology industries, there has been a corresponding increase in the demand for expertise in the drug discovery, development and manufacturing process in recent years. At present, pharmaceutical and biotechnology companies seek to collaborate with CROs and CMOs with scientific expertise and favorable pricing terms, making CROs and CMOs valuable partners for them. However, we cannot assure you that such trend to pursue external R&D support will continue in the future. Our customers' demand for pharmaceutical R&D services is subject to a variety of factors, including their decisions to acquire or develop in-house research, development and manufacturing capacity, their new product

development plans, the availability of internal and external funding, spending priorities and internal budgetary policies, negative trend in general economic condition or global pharmaceutical and biotechnology market as well as their perception of future market trends. If our customers reduce their spending on our services as a result of any of the above or other factors, we may not be able to locate sufficient number of customers for the continuous growth of our business, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our success depends on our ability to attract, train, retain and motivate highly skilled scientists and other technical personnel.

Along with our continued expansion, we have established a highly experienced talent pool with strong execution capabilities. Highly skilled and talented scientists help us keep pace with the latest developments in research, development and manufacturing technologies and methodologies in the pharmaceutical and biotechnology industries, and are therefore critical to our success. Our business operations also rely on personnel possessing highly technical skills for our quality control, compliance, environmental protection, safety and health, information technology and marketing. In order to develop and retain our talents, we provide continuous training programs to our employees through "Pharmaron College," offer visiting scholar programs at renowned laboratories and institutions, and hold various symposiums, forums and lectureship. We also offer employee share incentive programs to our key employees and thus provide them with an opportunity to share the growth of our business.

We intend to continue to attract and retain highly skilled scientists and other technical personnel. However, as there is a limited supply of qualified scientists and technical personnel with necessary experience and expertise, and such talents are highly-sought after by pharmaceutical companies, biotechnology companies, contract research firms and other academic and research institutions, we have to provide competitive compensation and benefits packages to attract and retain talents. We cannot assure you that we will always be able to hire and retain the requisite number of qualified personnel to keep pace with our anticipated growth while maintaining consistent quality of our services. In addition, we may not always be successful in training our professionals to quickly adapt to technological advances, evolving standards and changing customer needs, and the quality of our services may therefore be severely affected. Any failure to attract, train or retain highly skilled scientists and other technical personnel may materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

The continuing and collaborative efforts of our senior management and key scientific personnel are crucial to our success, and our business could be severely disrupted if we lose their services.

The continued service of our senior management and key scientific personnel is critical to the success of our business. In particular, we are dependent on our senior management team led by Dr. LOU, our chairman and chief executive officer, for their management, supervision and planning of our business. Our senior management team has been with us for more than 10 years and their technical and industry expertise have significantly contributed to the growth of our institutional knowledge base. The loss of service with respect to any of our senior management or key scientific personnel may have a material adverse effect on our business and operations. If we lose the services of any senior management member or key scientific personnel, we may be unable to identify and retain a suitable qualified replacement and may incur additional expenses and time to recruit and train new personnel, which could severely disrupt our business operations. Although

each of our senior management member and key scientific personnel has signed a non-compete agreement with us, we may not be able to enforce these provisions should any of them leaves us to join a competitor or to start his/her own business which competes with us, and our business operations and prospects could be materially and adversely affected.

If we fail to protect the intellectual property rights or confidential information of our customers, we will be subject to legal liabilities and our reputation may be damaged.

Protection of intellectual property rights and confidential information associated with pharmaceutical and biotechnology pharmaceutical R&D services is critical to all of our customers. Our customers generally retain ownership of the intellectual property rights that they provide to us and those arising from the services we provide. Our service agreements with our customers would typically require us to exercise all reasonable precautions to protect the integrity and confidentiality of our customers' confidential information. Our success therefore depends in substantial part on our ability to protect the intellectual property rights and confidential information of our customers. Notwithstanding our efforts to protect our customers' intellectual property rights and confidential information, unauthorized parties may still attempt to obtain and use such information that we regard as confidential. Any unauthorized disclosure of our customers' proprietary rights or confidential information could subject us to liability for breach of contract and result in significant damage to our reputation, which could materially harm our business, financial condition, results of operations and prospects, and any remediation efforts may significantly divert our management's attention and resources from other activities.

Any failure to comply with existing laws, regulations and industry standards or any adverse actions by the competent authorities against us could adversely affect our reputation and our business, financial condition, results of operations and prospects.

In many countries or regions where pharmaceutical products are intended to be ultimately sold, such as China, the U.S., the U.K. and certain E.U. countries, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such products, as well as stringent laws, regulations and industry standards on how we and our customers develop and manufacture such products. For example, we may need to obtain clearance from the FDA or the NMPA or other regulatory authorities in the event that our customers' preclinical trials are filed as part of an IND filing to seek authorization to begin clinical trials, or their clinical trials are filed as part of a NDA or other filings to seek marketing approval. Such authorities may conduct scheduled or unscheduled inspections of our facilities to monitor our regulatory compliance. Although we have passed the inspections in relation to drug discovery, development and manufacturing conducted by the relevant regulatory authorities in all material respects during the Track Record Period, we cannot assure you that we will be able to pass all such inspections in the future. Any failure to comply with existing regulations and industry standards could result in fines, revocation of accreditation or other punitive actions against us or our customers, the termination of ongoing projects by our customers and the disqualification of data for submission to regulatory authorities, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. For example, if we fail to treat research animals in accordance with international standards set out by the Association for Assessment and Accreditation of Laboratory Animal Care, that organization could revoke accreditation and the accuracy of our animal research data could be questioned. In addition, even if we are able to successfully defend against any action for violation of the relevant regulations or industry standards, such actions could result in diversion of our management's attention from the operation of our business, significant legal expenses and adversely affect our reputation and financial results.

Our failure to obtain or renew certain approvals, licenses, permits or certificates required for our business may materially and adversely affect our business.

We are subject to certain laws and regulations that require us to obtain and maintain various approvals, licenses, permits and certificates from different authorities to operate our business. We will face sanctions or other enforcement actions if we fail to obtain approvals, licenses, permits or certificates as might be necessary for our operations. We could be ordered by the relevant regulatory authorities to cease operation, or may be required to undertake corrective measures requiring capital expenditure or other remedial actions, which could materially and adversely affect our business, financial condition and results of operations.

In addition, some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Although we are committed to applying for the renewal and/or reassessment of these approvals, permits, licenses and certificates when required by applicable laws and regulations, we cannot assure you that we can successfully obtain such renewals and/or reassessment. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and certificates necessary to carry out our business at any time could cause severe disruption to our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations.

We may also be required to obtain additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses as a result of new regulations coming into effect, change to interpretation or implementation of existing laws and regulations. We cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

We are subject to environmental protection and health and safety laws and regulations, and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological or chemical hazards, or personal injury.

Our operations are subject to national and local laws with respect to environmental protection, health and safety, including but not limited to the treatment and discharge of pollutants into the environment and the use of toxic and hazardous chemicals in the process of our business operations. In addition, our construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities in certain jurisdictions. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, our total cost of compliance with environmental protection and health and safety laws and regulations was RMB4.5 million, RMB16.1 million, RMB26.9 million and RMB14.0 million, respectively. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition, results of operations and prospects.

In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of discovery, testing, development and manufacturing of pharmaceuticals. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. As a result, any accidental contamination, biological or chemical hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects.

We face foreign exchange risk, and fluctuations in exchange rates could have a material adverse effect on our financial condition and results of operations.

Our foreign currency exposure is mainly respect to U.S. dollars, pound sterlings and the euro. During the Track Record Period, a substantial portion of our revenue was generated from sales denominated in U.S. dollars. However, a significant portion of cost of services and operating costs and expenses are denominated in Renminbi. As a result, our margins will be under pressure when the Renminbi appreciates against the U.S. dollar, and we may not be able to price our service contracts, in particular those with our U.S. customers, in currencies other than the U.S. dollars. In addition, fluctuations in exchange rates have in the past affected, and could in the future continue to, materially and adversely affect our financial condition and results of operations as we hold certain assets denominated in foreign currencies. For example, we recorded net foreign exchange gains of RMB17.0 million, RMB30.1 million, RMB7.2 million and RMB1.9 million in 2016, 2018 and the six months ended June 30, 2018 and 2019, respectively, while we recorded net foreign exchange losses of RMB 34.7 million in 2017.

Fluctuations in exchange rates between the Renminbi and the U.S. dollar and other currencies may be affected by, among other things, changes in China's political and economic conditions, trade tensions between the U.S. and China, as well as international economic and political developments. Due to international pressures on the PRC to allow more flexible exchange rates for the Renminbi and the economic situation and financial market developments in the PRC and abroad, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. We have used, and may continue to use derivative contracts or hedge against our exposure to currency risks from time to time. However, the availability and effectiveness of such hedges may be limited, and we may not be able to successfully hedge our exposure to currency risks.

We face increasing competition and may not be able to compete effectively, which may result in downward pricing pressure or reduced demand for our services.

The global pharmaceutical R&D service market for pharmaceutical products is highly competitive, and we expect the level of competition will continue to increase. We face competition in several different areas, including quality of services, breadth of our integrated services, our capacity and ability to deliver in a timely manner, our ability to protect intellectual property or other confidential information of our customers, maintenance of our qualifications and accreditations, depth of customer relationships and prices.

We expect continuous competition from both domestic and international competitors as we continue to invest in more sophisticated capabilities and capacity in laboratory, clinical development and CMC services. We also expect increasing competition as additional competitors enter our market and as more advanced technologies become available. We compete with other pharmaceutical R&D service providers typically in specific service areas. We also compete with the in-house discovery, testing, development and commercial manufacturing functions of pharmaceutical and biotechnology companies. Some of our competitors may have more financial resources, better research and technical capabilities, greater pricing flexibility, stronger sales and marketing efforts, longer track record and better brand recognition. In addition, our competitors may improve the performance of their services, introduce new services with lower prices and improved performance, or adapt more quickly to new technologies and changes in customer demand and requirements. Furthermore, increased competition could create additional pricing pressure on our services, which could reduce our revenue and profitability. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that increased level of competition will not adversely affect our business, results of operations, financial condition and prospects.

We may not be able to execute our growth strategies or manage our growth effectively.

We plan to maintain our leading position in pharmaceutical R&D services and further expand our development service offerings, continue to develop and acquire innovative pharmaceutical R&D service technologies, further capitalize the evolving and fast-growing Chinese market, deepen collaborations with existing customers and broaden customer base, build capabilities for biologics, and continue to attract, train and retain talents to support our long-term and sustainable growth. Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive global pharmaceutical R&D service market, effectively coordinate and integrate our facilities and teams across different sites, hire, train and retain qualified personnel, implement effective cost control and quality control, maintain sufficient liquidity, and effective and efficient financial and management control, carry out increased marketing and customer support activities, and manage our suppliers to leverage our purchasing power. If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and, as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The success of our business expansion also depends on our customers' success in advancing drug candidates through development, regulatory approval and commercial manufacturing. Any delay in regulatory approvals, lower than anticipated treatment effectiveness, unexpected side effect, low success rate or lack of patient demand may have a material impact on our business. If our growth strategy or business expansion is not successful or sufficient or does not earn a satisfactory return on investment, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business may be materially and adversely affected by the increasing trade tensions between the U.S. and China.

As trade tensions increase between the U.S. and China in recent years, concerns exist among PRC enterprises transacting with U.S. companies that a possible trade war between the two countries could leave them caught in the crossfire. A breakdown in trade relations between the U.S. and China could also delay the global economic recovery in recent years, threatening the

ongoing economic expansion and the increasing cross-border transactions trend. Furthermore, concerns arise in the U.S. that certain Chinese companies may, by leveraging their business relationship with U.S. companies, acquire technologies and data that enhance such Chinese companies' capabilities through a variety of channels. As a result, we cannot assure you that U.S. government will not adopt relevant policies or practices to mitigate against their "economic and security risks" posed by certain Chinese companies engaged in "sensitive" industries. Given that a substantial portion of our customers are U.S. pharmaceutical and biotechnology companies, the demands of our services are significantly influenced by U.S. government's attitude towards Chinese service providers in such industries. We cannot assure you that we will not be negatively influenced by the increasing trade tensions between the U.S. and China as well as by adverse changes in U.S. laws and regulations towards diplomatic relations. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be successful in developing, enhancing, adapting to or acquiring new technologies.

We operate in a market that evolves constant developments and we must keep pace with new technologies and methodologies to maintain our competitive position. It is critical for us to continue investing significant amounts of human and capital resources to develop or acquire new technologies in order to enhance the scope and quality of our services. We may also decide to continue expanding our business by entering into new markets and new geographic areas, and therefore may need to develop or adapt to new technologies and methodologies. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies in a timely manner or at all. Any failure to do so could stagnate or even significantly reduce demand for our services and harm our business and prospects.

Furthermore, developing and marketing our new technologies and methodologies successfully requires us to accurately assess and meet customers' needs, make significant capital expenditures, optimize our drug discovery, development and manufacturing process to predict and control costs, hire, train and retain qualified personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide high-quality services in a timely manner, price our services competitively, integrate innovations into our existing system and effectively incorporate customer feedback into our business planning. If there is insufficient demand for our new technologies or methodologies, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, alternatives to our services might be introduced to our current and potential customers through technology innovations. This could reduce or even eliminate the demand for our services at all. Our failure to develop, introduce or enhance our services' ability to compete with new technologies in a cost-effective and timely manner could have a material adverse effect on our business, financial condition, results of operations and prospects.

If our service quality does not meet our customers' evolving needs, or if we fail to meet our customers' audit and inspections, our customers may not continue to purchase our services.

We believe service quality and customer satisfaction are among the most important factors for our business growth today. In order to deliver quality services, it is critical to understand and take actions to fulfill the customer's expectation and adapt to the customers' evolving needs. We believe our strong execution capabilities and quality services are widely recognized by our customers. However, we cannot assure you that we will always be able to deliver quality services

that meet our customers' evolving needs. If our customers determine that their expenditures on our services do not generate expected results, they may allocate a portion or all of their budgets to our competitors, and reduce or terminate their business with us. Therefore, we cannot assure you that customers that have utilized our services in the past will continue to spend at similar levels, or that they will continue to use our services at all in the future. We may not be able to replace customers which decrease or cease their purchase of our services with new customers that spend at similar levels or more on our services. As a result, we may suffer from a loss of customers and our ability to maintain and/or grow our revenues will be materially and adversely affected.

Furthermore, our customers are entitled to, during normal business hours, review our standard operating procedures and records pertaining to our services and inspect the facilities used to render our services to such customers. We cannot assure you that we will be able to pass all such customer audits and inspections. Failure to pass any of such audits or inspections to our customers' satisfaction could significantly harm our reputation and result in the termination of ongoing drug discovery and development projects by our customers, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks inherent in international operations.

We operate a multinational business, primarily in China, the U.S. and the U.K. We intend to continue to expand our presence globally. Our success in providing services internationally and competing in international markets is subject to our ability to manage various risks and difficulties, including, but not limited to:

- our ability to effectively manage our employees at remote locations or in different business environments from China, the U.S. and the U.K.;
- our ability to develop and maintain relationships with customers, suppliers across the countries and regions we operate in;
- compliance with product safety requirements and standards that are different from those of China, the U.S. or the U.K.;
- variations and changes in laws applicable to our operations in different jurisdictions;
- trade restrictions, political changes, disruptions in financial markets, and deterioration of economic conditions;
- customs regulations and the import and export of goods and raw materials;
- the ability to provide sufficient levels of technical support in different locations;
- our ability to effectively communicate internally and with our customers across different cultures;
- our ability to obtain and renew licenses that may be needed in international locations to support operations; and
- changes in tariffs, taxes, and foreign currency exchange rates.

Our profitability and ability to implement our business strategies, maintain market share and compete successfully in international markets may be compromised if we are unable to manage these and other international risks successfully.

We have undertaken a series of offshore acquisitions, and may undertake further acquisitions in the future. These acquisitions may not be successful, and we may fail to integrate such acquisitions successfully, or may be adversely affected by regulatory or governmental scrutiny of the target countries.

In order to expand our operations and global presence, we have undertaken a series of offshore acquisitions in the past. Between 2015 and 2017, we acquired certain of our subsidiaries in the U.S. and the U.K. to acquire cutting-edge technologies and to expand our capabilities and service offerings through these world-class development facilities. We are devoting significant resources to integrating our operations following such acquisitions in order to achieve the anticipated synergies and benefits. We may also undertake additional offshore and/or onshore acquisitions to further develop our business. As of the Latest Practicable Date, we had not yet identified any specific acquisition target.

The integration of our acquired subsidiaries or any future acquisitions may expose us to certain risks, such as the incurrence of anticipated and unforeseen costs, expenses and liabilities (including latent or potential liabilities that relate to the time prior to our acquisitions), difficulties in integrating the acquired business in a timely and cost-effective manner or maintaining standard control policies and procedures across our businesses, difficulties in establishing effective management information and financial control systems, and unforeseen legal, regulatory, contractual or other issues. Furthermore, our potential acquisitions in the future may be adversely affected by regulatory or governmental scrutiny of the target countries. If we fail to successfully integrate recent and potential future acquisitions, or if we encounter any difficulties due to tightened regulatory or governmental scrutiny from targeted countries, there may be an adverse effect on our business, financial condition and results of operations.

Changes to U.S. foreign investment and export control laws and regulations may restrict our ability to undertake acquisitions, or acquire technologies and assets in the United States that are material to our commercial success.

Foreign investments in U.S. companies and exports of technology and technical data from the U.S. (including disclosures of technology and technical data to foreign persons in the United States) are potentially subject to restrictions under U.S. laws and regulations. The United States. enacted the Foreign Investment Risk Review Modernization Act of 2018 ("FIRRMA") and the Export Control Reform Act of 2018 ("ECRA"), which together made significant changes to this legal framework. In general, FIRRMA broadened the authorities of the President of the U.S. and the Committee on Foreign Investment in the United States ("CFIUS") to determine whether foreign investments present a threat to U.S. national security, and to impose restrictions on or to block such investments. FIRRMA and ECRA also established new authorities to identify "emerging" or "foundational" technologies that should be subject to greater foreign investment and export controls. The U.S. administration is currently engaged in rulemakings to implement the requirements of these statutes.

As an initial step, effective in November 2018, CFIUS instituted a pilot program ("Pilot Program") applicable to certain foreign investments in U.S. businesses that (i) are involved in "critical technologies" and (ii) are classified within one of 27 industry sectors defined by North American Industry Classification System code numbers ("Pilot Program U.S. Businesses"). In addition, in December 2018, the U.S. Department of Commerce initiated a rulemaking process, required by ECRA, to identify "emerging" and "foundational" technologies, and to impose appropriate export controls on items so identified. The Pilot Program rules also deem such technologies to be "critical technologies." The U.S. agencies are continuing the rulemaking processes to implement FIRRMA and ECRA.

Businesses of our U.S. customers, or our recent or potential acquisition and investment targets may have "critical technology," and they may fall within NAICS 541714 ("Research and Development in Biotechnology (except Nanobiotechnology)") or one of the other Pilot Program specified sectors. Our ability to make future strategic investments in, or undertake any future acquisitions of, biotechnology companies in the United States may be adversely impacted if such a company is a Pilot Program U.S. Business (or if it otherwise possesses export-controlled technology). Any such negative impaction may detrimentally affect our capability to acquire foreign companies or foreign technologies or assets in the United States that may be material to our commercial success.

We are subject to the laws and regulations with respect to our business operations in the U.S. and the U.K.

We are required to fulfill the respective legal and regulatory requirements for our operations in the U.S. and the U.K.. For instance, all laboratory testing (except for research purposes) performed on humans in the U.S. are regulated through the Clinical Laboratory Improvement Amendments, and our laboratories are subject to licensing requirements and regulations under federal, state and local laws relating to, among others, occupational safety and health and controlled substances. Failure to comply with any of the legal and regulatory requirements may result in material impact on our operations in the relevant jurisdictions. We are also required to hold a number of permits and licenses to carry on our business in the U.S. and the U.K. Our ability to obtain and maintain these regulatory approvals is subject to any future changes to the applicable U.S. and U.K. laws and regulations may place additional burden on us and have a material impact on our operations in these countries.

If we are unable to maintain the confidentiality of our trade secrets, our business and competitive position may be harmed.

In addition to the protection afforded by our registered intellectual property, we rely upon unpatented trade secret protection, unpatented know-how and continuing technological innovation to develop and maintain our competitive position. However, trade secrets and know-how can be difficult to protect. We also seek to protect our proprietary technologies and processes, in part, by entering into confidentiality agreements with parties that have access to them, such as our employees and certain other third parties, and invention assignment agreements with our employees. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technologies and processes. Furthermore, we may not be able to prevent the unauthorized disclosure or use of our technical know-how or other trade secrets by the parties to these agreements, however, despite the existence generally of confidentiality agreements and other contractual restrictions. If any of our employees and certain other third parties who are parties to these agreements breaches or violates the terms of any of these agreements or otherwise discloses our proprietary information, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets as a result, which could materially and adversely affect our business and competitive position. Enforcing a claim that a third party illegally disclosed or misappropriated our trade secrets, including through intellectual property litigation or other proceedings, is difficult, expensive and time consuming, and the outcome is unpredictable.

We may face potential liabilities arising from our services.

We typically undertake to defend, indemnify and hold our customers harmless from and against any liabilities and damages (including attorneys' fees) resulting from any third party claims, demands, suits or proceedings to the extent arising out of our performance of services, or relating to our negligence or willful misconduct, or breach of the service agreements. In particular, we may face product liability risks if the pharmaceuticals we help discover, test, develop or manufacture are subject to product liability claims. Our liability is not always capped under our service agreements, and in certain cases, the product liability cap is not applicable for claims relating to personal injuries or death. We provide services in the discovery, testing, development of pharmaceuticals and manufacturing of drug APIs and formulations that are intended ultimately to be used on humans, either during clinical trials or as marketed products. Although we do not commercially market or sell these products to end users, if any of these drugs harms people due to our negligence, willful misconduct or material breach, we may be subject to litigations and may be required to pay damages to our customers. Damages awarded in a product liability action could be substantial and our insurance coverage may be inadequate or may become unavailable on terms acceptable to us.

The discontinuation of any of government incentives or preferential tax treatment currently available to us could adversely affect our results of operations, cash flow and prospects.

During the Track Record Period, we have benefited from government incentives. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, we recorded under other income RMB20.1 million, RMB15.6 million, RMB22.7 million, RMB2.3 million and RMB5.8 million of government grants and subsidies, respectively. For more details on government grants and subsidies (including tax incentives) recognized in our profit or loss, please refer to the paragraph headed "Financial Information—Description of Key Statement of Profit or Loss Items" in this prospectus.

We had enjoyed preferential tax treatment during the Track Record Period. For example, some of our subsidiaries have obtained the high and new technology enterprise or advanced technology enterprise accreditation and, accordingly, were entitled to a preferential income tax rate of 15% during the Track Record Period.

Our eligibility to receive these financial incentives requires that we continue to qualify for them. The incentives are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these financial incentives, generally with prospective effect. Since our receipt of the financial incentives is subject to periodic time lags and changing government practice, as long as we continue to receive these financial incentives, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. The discontinuation of financial incentives currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

Changes in laws, government regulations or in practices relating to the pharmaceutical and biotechnology industries could decrease demand for the services we provide, and compliance with new regulations may result in additional costs.

The markets that our customers operate in are heavily regulated, including the U.S., the U.K. and China. Changes in laws, regulations or in practices relating to the pharmaceutical and biotechnology industries, such as a relaxation in regulatory requirements, or the introduction of simplified drug approval procedures that lower the entry barrier for potential competitors, or changes in regulatory requirements may make our services less competitive, could eliminate or substantially reduce the demand for our services. Since 2016, there has been a significant rise in outsourcing opportunities in China as a result of significant regulatory challenges. In particular, in March 2016, the State Council issued *the Opinion on Carrying out the Quality and Efficacy Consistency Evaluation of Generic Drugs* (國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見) (the "Consistency Evaluation Opinion"). The Consistency Evaluation Opinion, combined with other regulatory changes introduced at approximately the same time, subsequently led to a significant increase in demand for high quality CRO services in China. However, we cannot assure you that there will be no adverse regulatory changes in the PRC, or the regulatory changes in the PRC that have benefitted our business during the Track Record Period will continue to benefit our business going forward or that size of the CRO and CMO services market globally and in the PRC will increase at the rate anticipated. Any of these events may have a material adverse effect on our business, financial condition and results of operations.

In addition, under current regulatory requirements of the PRC, in order to introduce a drug approved overseas into the PRC market, such drug must be registered as an imported drug, otherwise the development process of such drug must be repeated in the PRC, either of which could take several years of work. By engaging us, pharmaceutical and biotechnology companies are able to conduct parallel development of drugs for both the PRC and overseas markets simultaneously. If the PRC ever streamlines, expedites or simplifies its regulatory procedures, certain of our customers' demand for our services may decrease, which would have a material adverse effect on our business, financial condition and results of operations.

We have made significant capital investments to construct new facilities in China. We may face a variety of risks associated therewith and may not be able to realize our anticipated returns.

We have constructed and will continue to construct a number of additional facilities in China to further expand our business. Construction of new facilities, particularly for usage in the pharmaceutical and biotechnology industry, is a complex and challenging process. Among other things, it requires interpretation of and compliance with many laws, codes, and regulations; gathering of considerable resources, including labor, equipment, and material; and communications with and coordination among multiple parties, which could divert resources from our productive uses and consume significant amounts of management time. Furthermore, it's not uncommon for construction projects to run longer than expected or exceed original cost budgets, and we cannot assure you that we will be able to develop and deploy an appropriate plan for managing those risks. Construction delays or failure to complete the construction of a property development project according to its planned specifications, schedule or budget as a result of the above or any other factors may have a material adverse effect on our business, financial condition and results of operations.

We have made and will continue to make significant capital expenditures in constructing our facilities. Our capital expenditures amounted to RMB1,055.5 million, RMB934.7 million, RMB641.0 million and RMB307.6 million for the years ended December 31, 2016, 2017 and 2018, and six months ended June 30, 2019, respectively. We expect that our business will further grow with our new facilities. However, if our business does not grow at the pace as we expected, we may not be able to generate sufficient revenue and profit to cover our capital expenditures in constructing facilities, and our business, financial position and results of operations may be materially and adversely affected.

If we are unable to successfully expand or operate in new geographic markets, our business and prospects may be adversely affected.

During the Track Record Period, we generated a significant portion of our revenue from customers headquartered in the U.S. We intend to further diversify our customer geographic mix to increase revenue generated by customers headquartered in China, the U.K. and other countries or regions. However, the legal and regulatory systems, competitive landscapes and customer preferences of these markets may be different from the markets in which we currently operate. We have limited experience working with customers in markets other than the U.S., the U.K. and China, and we may encounter unanticipated barriers and challenges in these new markets, which may result in a delay to or failure of our expansion plans. In addition, we may invest significant time and resources in promoting brand awareness and acquiring market shares in these new markets. We may not be able to manage our costs or generate sufficient revenue to justify the time and resources spent. If our geographic expansion is unsuccessful, our business operation and financial condition could be materially and adversely affected.

Payment delay or failure by our customers could adversely affect our cash flows and profitability.

We aim to trade solely with recognized and creditworthy third parties, and all of our customers who intend to trade on credit terms are subject to our credit verification procedures. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our trade receivables (net of allowance for impairment) were RMB352.0 million, RMB494.9 million, RMB604.0 million and RMB654.1 million, respectively. If any of our customers' business, cash flow, conditions or results of operations deteriorates, it may be unable or unwilling to pay trade receivables owed to us promptly or at all. Moreover, we are also subject to credit risk arising from unbilled revenue (i.e., our contract assets) or the risk that a Group's customer may not pay in accordance with the terms of the agreed payment schedule once the amount has been billed. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our contract assets (net of allowance for impairment) were RMB36.6 million, RMB43.8 million, RMB51.1 million and RMB114.1 million, respectively. We may not be able to bill all or any of the contract assets to our customers, or may not be able to bill such customers within the expected timeline. In addition, any substantial default or delay of a customer's payment obligations may materially and adversely affect our working capital, financial condition and results of operations.

Increased labor and staff costs could affect our growth and profitability.

Our operations require a sufficient number of experienced and qualified employees. Our labor and staff costs accounted for approximately 44.6%, 42.2%, 43.3%, 45.4% and 45.3% of our revenue for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. The labor market for trained scientists and other qualified staff with suitable experience is highly competitive and we may need to pay more in salaries, benefits in kind or retirement benefits in order to recruit and retain appropriate staff. We may also need to recruit additional personnel to enhance our internal control, financial reporting and compliance functions after the Listing. We cannot assure you that our labor costs will not continue to increase. If there is a significant increase, our business, financial condition and results of operations may be adversely affected.

We depend on a stable and adequate supply of quality raw materials from our suppliers, and price increases or interruptions of such supply could have an adverse impact on our business.

Our operations require a stable and adequate supply of quality raw materials. Although we believe that we have stable relationships with our existing suppliers, we cannot assure you that we will always be able to secure a stable supply of qualified raw materials going forward. Our suppliers may not be able to keep up with our fast-growing business, may not be able to adapt to new technologies and methodologies to produce qualified raw materials, or may reduce or discontinue their supply of raw materials to us at any time. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so may lead to interruptions to their business operation, which in turn may result in a shortage of raw materials supplied to us. If the supply of quality raw materials to us is interrupted, our business operation and financial position may be adversely affected.

We may not be able to effectively manage our inventory levels.

Our inventories include raw materials and consumables used for our service. We manage our inventory levels based on our forecasts of customer demand for our services in terms of ongoing projects and potential new projects. Customer demand, however, can be affected by numerous uncertainties, including in relation to the progress of their projects, pending regulatory approvals, timing and success of clinical trials, our level of success in securing new projects and other factors beyond our control. Our inventories amounted to RMB42.8 million, RMB59.0 million, RMB70.1 million and RMB81.2 million as of December 31, 2016, 2017 and 2018, and June 30, 2019, respectively.

If we fail to manage our inventory levels effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in the value of inventories, and potential inventory write-downs or write-offs. Procuring additional inventories may also require us to commit substantial working capital, preventing us from using such capital for other purposes. Any of the foregoing may materially and adversely affect our results of operations and financial condition.

Negative publicity may adversely affect our reputation, business and growth prospects.

Any negative publicity concerning us, our affiliates or any entity that shares the "Pharmaron" name, even if untrue and inauthentic, could adversely affect our brand image, reputation, business and prospects, particularly in light of our specialized customer base, customer referrals and word-of-mouth marketing are particularly important to our ability to acquire customers. Damage to our reputation could be difficult, expensive and time-consuming to restore and could make it challenging for us to retain our existing customers or attract new customers and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our brand name and could reduce investor confidence in us, adversely affecting the price of our Shares.

We may be subject to intellectual property infringement claims or other relevant disputes, which could expose us to substantial liability and harm our reputation.

We may be exposed to intellectual property right infringement or misappropriation claims by third parties when we develop and use any of our own technology, know-hows and brand. As of the Latest Practicable Date, we had not received any notices of material claims or complaints against us for intellectual property infringement. However, we cannot assure you that we will not be subject to any such intellectual property rights claims in the future. Although we plan to defend ourselves vigorously in any such litigations or legal proceedings, we cannot assure you that we will prevail in these matters. Even if we were to succeed in our defense, involvement in such litigations and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to third parties, require us to obtain licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of our services. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

We typically undertake to defend, indemnify and hold our customers harmless from and against any liabilities and damages (including attorneys' fees) resulting from any third party claims, demands, suits or proceedings to the extent arising out of our performance of services, or relating to our negligence or willful misconduct, or breach of the service agreements. As a result, if any aspect of a deliverable to a customer that we create infringes a third party's intellectual property rights due to our gross negligence, and particularly if such deliverable ultimately becomes a commercially successful product, we could be exposed to substantial liability. Any material intellectual property infringement claim, if raised against us, could have a material adverse impact on our reputation, business, financial condition and results of operations.

If we fail to protect our intellectual property rights, we may lose our competitive edge and our brand image, reputation and prospects may be materially and adversely affected.

Unauthorized use of any of our intellectual property rights may materially and adversely affect our business and reputation. We are endeavored to protect our intellectual property rights by various means including registering our trademarks, copyrights and patents and filing patent applications in accordance with applicable laws and regulations both in China, the U.S. and worldwide. Nevertheless, third parties may obtain and use our intellectual property rights without due authorization. The validity, enforceability and scope of protection available under the relevant intellectual property laws in the PRC are uncertain and still evolving. Implementation and enforcement of PRC intellectual property-related laws have historically been incomplete and ineffective. Accordingly, the intellectual property and confidentiality legal framework in China may not afford protection to the same extent as in the United States or other countries. The experience and capabilities of PRC courts in handling intellectual property litigation varies, and outcomes are unpredictable. Further, such litigation may require a significant expenditure of cash and may divert our management's attention from our operations, which could harm our business, financial condition and results of operations. An adverse determination in any such litigation could materially impair our intellectual property rights and may harm our business, prospects and reputation.

In addition, we may encounter significant problems in protecting and defending our intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our intellectual property rights and proprietary rights generally. Proceedings to enforce our intellectual property rights and proprietary rights in foreign jurisdictions could result in substantial costs and divert our management's efforts and attention from other aspects of our business, could put our patents and other intellectual property rights at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not being approved, and could provoke third parties to initiate counterclaims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful and sufficient. Accordingly, our efforts to enforce our intellectual property rights and proprietary rights around the world may be insufficient to obtain a significant commercial advantage from the intellectual property that we develop or license.

We may be exposed to risks related to our management of the medical data of subjects enrolled in our clinical trials.

During the clinical trials, we routinely collect and maintain medical data treatment records and other personal details of enrolled subjects. We are subject to the relevant privacy laws and regulations of the various jurisdictions in which we conduct our clinical trials. Although we have taken measures to maintain the confidentiality of the medical records and personal data of subjects enrolled in our clinical trials, including encrypting such information in our information technology system so that it cannot be viewed without proper authorization, and setting internal rules requiring our employees to maintain the confidentiality of our subjects' medical records, we cannot assure you that such measures are effective in ensuring compliance with the relevant laws and regulations or that we are able to prevent the enrolled subjects' private or medical records being divulged without their consent. For example, our information technology systems could be hacked, and personal information could leak due to theft or misuse of personal information arising from misconduct or negligence. In addition, our clinical trials frequently also involve professionals from third party institutions working on-site with our staff and enrolled subjects. We cannot ensure that such persons will always comply with our data privacy measures. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure to protect the confidentiality of subjects' medical records and personal data, or any restriction on or liability as a result of our use of medical data, could have a material adverse effect on our business, financial condition and results of operations.

We may fail to effectively develop and market new services, which may harm our growth opportunities and prospects.

We intend to continue expanding our service offerings. For example, we plan to expand our services into later stage clinical studies and commercial manufacturing to further strengthen our fully-integrated pharmaceutical R&D service platforms and to build and expand our capabilities for biologics. To develop and market our new services successfully, we must accurately assess and meet customer needs; make significant capital expenditures; optimize our discovery, testing, development and manufacturing process, predict and control costs; attract, train and retain the necessary personnel; obtain required regulatory clearances or approvals; increase customer awareness and acceptance of our services; provide services of a high quality and in a timely manner; price our services competitively; compete successfully with other research and

development outsourcing providers and effectively incorporate customer feedback into our business planning. If we fail to effectively develop new services and create demand for them, our future business, including results of operations, financial condition, cash flows and prospects, could be materially and adversely affected.

If we lose any of our key customers, our business and results of operations may be adversely affected.

We have a large, diverse and loyal customer base which includes all of the top 20 global pharmaceutical companies and many reputable biotechnology companies, according to Frost & Sullivan. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our top five customers accounted for 35.8%, 30.9%, 24.8% and 21.7% of our revenue, respectively, and our largest customer accounted for 9.7%, 7.7%, 5.7% and 5.9% of our revenue, respectively. For more information about our key customers, please refer to the paragraph headed "Business—Our Customers" in this prospectus. We cannot assure you that we will be able to maintain or strengthen our relationships with our key customers, or that our key customers will continue to engage us for significant service contracts. Furthermore, we may not be able to realize all of the anticipated future revenue associated with our contracted future revenue, particularly our clinical trial service contracts and CMC service contracts. If there is any significant cutback in spending for our pharmaceutical R&D services by our key customers due to industry consolidation, deterioration of their financial conditions, research and development budget cuts, pending regulatory approvals or other reasons and we are unable to obtain suitable service contracts of comparable size and terms as replacement, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to comply with applicable anti-bribery and anti-corruption laws, our reputation may be harmed and we could be subject to penalties and significant expenses.

We are subject to the anti-bribery laws of the jurisdictions in which we operate, particularly the U.S., China and the U.K. In the U.S., the Foreign Corrupt Practices Act of 1977 generally prohibits a company from making improper payments, directly or indirectly, to foreign officials for the purpose of obtaining or retaining business. Further, in the U.S., the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act), prohibits money laundering and any activities that could facilitate money laundering. In China, the Anti-Unfair Competition Law, and provisions of the Criminal Code, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in China, Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法), promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective on January 1, 2007, prohibits money laundering. Our operations in the U.K. may also subject us to various anti-bribery laws and regulations, including the United Kingdom's Bribery Act of 2010 which prohibits commercial bribery and makes it a crime for companies failing to prevent bribery. In addition, many of our customers require us to follow strict anti-bribery and anti-money laundering policies as part of doing business with us. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with applicable anti-bribery laws and anti-money laundering, our reputation could be harmed, customers could cancel or not renew contracts for our services and we could incur criminal or civil penalties, other sanctions and significant expenses, which could have a material adverse effect on our business, financial condition and results of operations.

We may incur additional expenses if we are forced to relocate due to title defects of some of our leased properties.

As of the Latest Practicable Date, we have not obtained a valid property ownership certificate from a lessor of certain properties we leased in the PRC. As a result, the lease agreement may be challenged as to its validity. Please refer to the paragraph headed "Business—Properties" in this prospectus for more details of our leased properties. If the lease agreement is deemed to be invalid by the relevant PRC authorities or if the lessor does not possess valid titles, we may not be able to continue to lease such property and be forced to relocate, which may cause our business, financial condition and results of operations to be adversely affected.

We recorded net current liabilities as of December 31, 2018. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks

We recorded net current liabilities of RMB31.9 million as of December 31, 2018. Such net current liabilities position was primarily due to a RMB156.3 million increase in other payables and accruals in connection with our staff payroll and the construction of our Ningbo facilities, a RMB67.8 million increase in short-term interest-bearing bank and other borrowings as some long term borrowings would mature within one year and were classified as current liabilities and a RMB80.2 million increase in contract liabilities as a result of the strong demand for our services, partially offset by a RMB109.1 million increase in trade receivables and a RMB46.1 million increase in prepayments, other receivables and other assets as of December 31, 2018. We did not record net current liabilities as of December 31, 2016 or 2017, or June 30 or September 30, 2019. See "Financial Information—Discussion of Selected Items from Consolidated Statements of Financial Position" in this prospectus for further details.

We cannot assure you that we will not record net current liabilities again in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of debt financing will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may impact our ability to execute our business strategies. If such event occurs, our results of operations and financial position will be materially and adversely affected.

We may be subject to administrative penalty for our failure to register our leased properties in China.

As of the Latest Practicable Date, we leased from third parties 10 properties in the PRC with an aggregate gross floor area of approximately 63,794 sq.m. (excluding the GFA of dorm rooms leased for our employees) for our operations, and the registrations for certain of these properties with the relevant regulatory authorities have not been completed. Please refer to the paragraph headed "Business—Properties" in this prospectus for more details of our leased properties. According to PRC law, the nonregistration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. Further, we cannot assure you that we would be able to renew our leases on acceptable terms upon their expiration. If we are not able to renew them upon expiration, or if relevant leases are terminated as a result of challenges therewith by third parties, we may be forced to relocate from affected properties and incur additional costs, and our business, financial condition and results of operations may be adversely affected.

Animal testing could result in negative attention from special interest groups with respect to our use of laboratory animals for research purposes and adversely affect our business.

Some of our services utilize animals in the testing of the safety and efficacy of pharmaceuticals, including non-human primates. The use of laboratory animals at our facilities must be conducted in compliance with applicable laws and regulations in the jurisdictions in which those activities are conducted. If an enforcement agency determines that our equipment, facilities, laboratories or processes do not comply with applicable standards, it may issue an inspection report documenting the deficiencies and setting deadlines for any required corrective actions. For non-compliance, the agency may take action against us that may include fines or confiscation of laboratory animals. Any such non-compliance with legal, regulatory or third-party accreditation requirements may also result in the limitation, termination, suspension or revocation of any licenses, permits, authorizations, assurances, certificates or accreditations necessary for the conduct of our business. Any determination of non-compliance, report or other action by an enforcement agency could adversely affect our business, financial condition and results of operations. Furthermore, contaminations in our animal populations may damage our inventory, harm our reputation and result in decreased sales and cause us to incur additional costs.

In addition, certain special-interest groups object to the use of these animals for research purposes. Any threats directed against our animal research activities or any negative media attention could impair our ability to operate our business efficiently. In addition, if regulatory authorities were to mandate a significant reduction in safety testing procedures that utilize laboratory animals, as has been advocated by certain groups, our business could be materially and adversely affected.

We may face a variety of challenges relating to our clinical trial services.

We offer a variety of early-stage clinical trial services for our customers and intend to further expand our services for late-stage clinical trials. We believe customers for our clinical trial services rely on us to help them reduce costs and speed the process of bringing a drug to market. However, we face a variety of challenges relating to our clinical trial services, including without limitation the increasingly complex nature of regulatory requirements and variations between different regulatory bodies, challenge of focusing on the best study design and high rate of failure to meet primary endpoints due to poor or complex design of clinical trials, increasing costs for clinical trials, difficulties in enrolling a sufficient number of subjects who would remain in the trial until its conclusion, the ability to develop safety oversight and medical management plans as well as trial monitoring plans for the clinical trials, and the ability to keep up with continuous development of technologies. We may face any or even all of the aforementioned challenges and other challenges and risks inherent to clinical trials. If we fail to develop appropriate plans to deal with such challenges, we may not be able to deliver effective clinical trial services to our customers, and our business, results of operations and prospects may be materially and adversely affected.

Our insurance coverage may not be sufficient.

We maintain certain insurance policies to safeguard against certain risks and unexpected events, such as property insurance and general commercial liability and professional errors and omissions insurance. We consider our insurance coverage to be in line with what we believe to be customary practice in our industry. For more details, please refer to the paragraph headed "Business—Insurance" in this prospectus. However, we cannot assure you that our insurance coverage in terms of amount, scope and benefit is sufficient. In addition, the insurance industry

in China is still at an early stage of development. Insurance companies in China generally offer limited business-related insurance products and such products typically command a high premium that may not be justifiable from a cost benefit perspective. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Therefore, we are exposed to various risks associated with our business and operations. Such risks include, among others, loss of key management and personnel, business interruption, litigation or legal proceedings, natural disasters such as epidemics, pandemics or earthquakes, terrorist attacks and social instability or any other events beyond our control. Our business, financial condition and results of operations may be materially and adversely affected as a result.

Any future litigations, legal disputes, claims or administrative proceedings against us could be costly and time-consuming.

We may, from time to time, become subject to legal proceedings and claims that arise in the ordinary course of business or as a result of governmental or regulatory enforcement activity. While we do not believe that the resolution of any lawsuits against us will, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, any litigation to which we subsequently become a party might result in substantial costs and divert management's attention and resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material significance may escalate and become significant to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification agreements we have entered into with our customers, if our customers do not abide by the indemnification arrangement as required, or if the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unforeseen costs and could have a material adverse effect on our financial condition, results of operations or reputation.

Our facilities are vulnerable to natural disasters or other unforeseen catastrophic events.

We conduct our business primarily at our facilities located in China, the U.S. and the U.K. We depend on these facilities for our business operations. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars could significantly impair our ability to operate our business in ordinary course. Our facilities and certain equipment located in these facilities would be difficult to replace in any such event and could require substantial replacement costs and time. The occurrence of any such event may materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on our information technology system and may face security risks, including cyber security risks.

We rely on a variety of information technology and automated operating systems to manage and support our operations, including protecting our customers' intellectual property and managing and storing our operating data. The proper functioning of these systems is critical to the

efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or development in our business. These changes may be costly and disruptive to our operations and could divert our management's attention and resources. Our systems, and those of third-party providers that we engage, may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access, cyber-attacks and thefts. We cannot assure you that the measures and steps we take to secure our systems and electronic information are sufficient. Any significant disruption to our systems could result in unauthorized disclosure of confidential information and adversely affect our business and results of operation.

Some of our service contracts are contingent on successful completion of mutually agreed milestones, and we may bear financial risks related to our failures to accomplish such milestones on schedule.

We generate fee income primarily for the services we provide. Under certain of our project-based contracts or work orders, we recognize revenue upon completion of milestones, either in the form of pre-set steps, delivery and acceptance of the study results and/or other deliverables or critical points in the drug discovery, development or manufacturing process. Therefore, if we fail to deliver services in accordance with our contractual requirements, experience cost overruns or underprice these contracts due to competitive pressures, we could be subject to significant costs or liability and our reputation could be harmed. Furthermore, in pricing our contracts, we take into consideration the market positioning of our services, prices of comparable services offered by our competitors, the success of the project, degree of saturation of the current market, market trends, complexities of the services required, costs and expenses of our services and the timeline of the contract. However, our evaluation of these factors may be inaccurate or incorrect. If we underprice our contracts or experience cost overruns, we may incur losses, and our business, financial condition, results of operations, cash flows and prospects would be adversely affected.

Our equity investments/financial assets at fair value through profit or loss are subject to the uncertainties in accounting estimates.

We measure our derivative financial instruments, equity investments at fair value through profit or loss and financial assets and liabilities at fair value through profit or loss at their respective fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. We have adopted IFRS 9, which is effective for the period beginning on or after January 1, 2018 throughout the Track Record Period. The equity investments at fair value through profit or loss is measured using the assumptions that market participants would use when pricing such equity investments, assuming that market participants act in their economic best interest. As such, we believe that our equity investments at fair value through profit or loss are subject to the uncertainties of accounting estimates and therefore warrant particular attention.

All assets and liabilities for which fair value is measured are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: (i) level 1 financial assets and liabilities, which refer to quoted

(unadjusted) market prices in active markets for identical assets or liabilities, (ii) level 2 financial assets and liabilities, which refer to valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and (iii) level 3 financial assets and liabilities, which refer to valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. As of December 31, 2016, 2017 and 2018 and June 30, 2019, we recorded equity investments at fair value through profit or loss of RMB3.5 million, RMB3.3 million, RMB24.3 million and RMB34.1 million, respectively, while we recorded financial assets at fair value through profit or loss of RMB125.0 million as of June 30, 2019.

We may face goodwill impairment risks in connection with our acquisitions.

In order to expand our operations and global presence, we have undertaken a series of acquisitions in the past. In 2016 and 2017, we acquired certain of our subsidiaries in the U.S. and the U.K. to acquire cutting-edge technologies and to expand our capabilities and service offerings through these world-class development facilities. We also acquired CR Medicon to further expand our clinical development services in 2019. In practice, many companies acquire other companies and pay a consideration that exceeds the fair value of identifiable assets and liabilities that the acquired company possesses, the difference between the purchase price and the fair value of acquired assets is recorded as a goodwill. The carrying amount of goodwill of our Group were nil, RMB133.5 million, RMB139.9 million and RMB201.3 million at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. Goodwill impairment arises when there is deterioration in the capabilities of acquired companies to generate cash flows, and the fair value of the goodwill dips below its book value. We face goodwill impairment risks in connection with our acquisitions, and any significant goodwill impairment for our acquired companies will adversely affect our business, financial condition and prospects.

We have intangible asset other than goodwill. If any intangible assets were determined to require impairment, it could adversely affect our result of operations and financial position.

We have other intangible assets other than goodwill in the form of client relationship, software and patents. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the carrying amounts of our other intangible assets were approximately RMB2.8 million, RMB8.2 million, RMB13.9 million and RMB34.2 million, respectively. At the end of the reporting period, we review the carrying amounts of other intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. In the event that our other intangible assets are impaired, the amount of the impairment will constitute a non-cash expense to the profit or loss. A slowdown in revenue growth, our inability to maintain our research and development activities or a decrease in profit margins could result in an impairment to our other intangible assets other than goodwill. We cannot assure that we will continue to maintain the same level of revenue growth, research and development activities and/or profit margins. In addition, a change in the assumptions used in the impairment testing of intangible assets may lead to significant impairment losses. If our other intangible assets are impaired, or there is a change in the assumptions used in the impairment testing of our other intangible assets, our results of operations could be adversely affected.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial position in the future.

As of June 30, 2019, we had recognized a deferred tax asset of RMB7.1 million. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If we suffer losses in the future, we may not be able to utilize all of our deferred tax assets, which could affect our financial position in the future.

We face risks related to health epidemics or other outbreaks in countries and regions where we have operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza or the Ebola virus, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the business activities in affected areas, which may, in turn, materially and adversely affect our business. Moreover, some of the countries and regions in which we have operations have experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in any of the countries and regions in which we have operations may materially and adversely affect its economy and our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the Chinese, U.S. and U.K. governmental authorities or other countries in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

We may need additional capital but may be unable to obtain the funding in a timely manner or on acceptable terms or at all.

In order to further expand our capacity, develop new services, undertake desirable acquisitions and remain competitive, we may require additional capital. We expect to satisfy such capital commitments using part of the net proceeds from the Global Offering, cash from operations and bank facilities available to us. Financing may be unavailable in amounts or on terms acceptable to us. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities by CROs and CMOs, and economic, political and other conditions in China, the U.S. and the U.K. The sale of additional equity or equity-linked securities could result in dilution to the Shares held by our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants restricting our operations or our ability to make acquisitions or pay dividends. Any failure to acquire sufficient additional capital to meet our capital requirements may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and prospects.

We are headquartered in Beijing, China and have a number of facilities across different provinces in China. Accordingly, our business, financial condition and results of operations are affected to a significant degree by the economic, political and social conditions in China. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, control of foreign exchange and allocation of resources, among other factors. The Chinese government has implemented various measures to encourage, but also to control, economic growth and to guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our business, financial condition and results of operations may be adversely affected by changes in pharmaceutical industry or tax regulations. These measures may cause decreased pharmaceutical activity and economic activity generally in China, which in turn could adversely affect our business, financial condition, results of operations.

PRC legal system embodies inherent uncertainties that may affect the protection afforded to our business and our Shareholders.

The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and regulations, in general, and the provisions for the protection of Shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish between minority and controlling shareholders in terms of their rights and protections. As such, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

We may be restricted from transferring our scientific data abroad.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (科學數據管理辦法), or the Scientific Data Measures, which provides a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term state secret is not clearly defined, if and to the extent any data collected or generated in connection with our services will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our pre-clinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our business, results of operations, financial conditions and prospects may be materially and adversely affected. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

Governmental control of currency conversion, and restrictions on the remittance of RMB into and out of the PRC, may adversely affect the value of your investment.

Some of our revenue was denominated in Renminbi during the Track Record Period. Renminbi is currently not a fully freely convertible currency. A portion of our revenues may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Under China's existing laws and regulations on foreign exchange, following the completion of the Global Offering, we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. As a result, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law ("IIT Law") which was last amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals which have domiciles in the PRC, or have no domicile in China but have resided in the PRC for one year or more, would be subject to PRC individual income tax at progressive rate on their income gained within or outside the PRC. The Standing Committee of NPC have approved the amendment of the IIT Law, which took effect on January 1, 2019. Under the amended IIT law, foreign nationals have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Should such rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research technicians to work in China may be materially affected, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. Further adjustments or changes to PRC tax laws are regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

The political relationships between China and other countries may affect our business operations.

During the Track Record Period, we generated a substantial portion of our revenue from companies headquartered in the United States. In addition, many of the pharmaceuticals we work on target at foreign markets. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's political relationships with those foreign countries and regions may affect the demand for our services and our ability to serve foreign customers or joint venture customers set up by foreign companies. There can be no assurance that such customers will not alter their perception of us or their preferences as a result of adverse changes to the state

of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may cause a decline in the demand for our services and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Under the applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of H shares ("non-resident individual holders"), and gains realized through the sale or transfer by other means of H shares by such shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced by the applicable tax treaties or arrangements.

Under applicable PRC tax laws, the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares ("non-resident enterprise holders") are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. Pursuant to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) dated August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay Enterprise Income Tax for the dividends declared and paid by us at a tax rate of 5%.

Pursuant to the Circular on Questions Concerning Tax on the Profits Earned by Foreign Invested Enterprises, Foreign Enterprises and Individual Foreigners from the Transfer of Shares (Equity Interests) and on Dividend Income (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知) issued by the State Administration of Taxation, non-resident individual holders were temporarily exempted from PRC individual income tax for the dividends or bonuses paid by issuers of H shares. However, such circular was repealed by the Announcement on the List of Fully or Partially Invalid and Repealed Tax Regulatory Documents (關於公布全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告) dated January 4, 2011.

For non-resident individual holders, gains realized through the transfer of properties are normally subject to PRC individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (財政部、國家稅務總局關於個人所得稅若干政策問題的通知), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (國務院辦公廳關於深化收入分配制度改革重點工作分工的通知). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Administration of Taxation.

Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers of the H Shares. Please refer to Appendix IV to this prospectus.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the documents based on Hong Kong or other foreign laws.

We are incorporated under the laws of the PRC with limited liability, and majority of our assets are located in the PRC. In addition, a majority of our Directors and Supervisors and all of our senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors, Supervisors and senior management personnel. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administration Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2006 Arrangement"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. It is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgement," "specific legal relationship" and "written form." A final judgement that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has been signed, the outcome and effectiveness of any action brought under the 2019 Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

RISKS RELATING TO THE GLOBAL OFFERING

Characteristics of the A share and H share markets may differ.

Our A Shares are currently listed and traded on the Shenzhen Stock Exchange. Following the Global Offering, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Our A Shares and H Shares are neither convertible into nor fungible with each other without regulatory approval. The A share and H share markets have different characteristics, including different trading volumes and liquidity and different investor bases. As a result of these differences, the trading price of our A Shares and H Shares may not be the same. Fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the A share and the H share markets, the historical prices of our A shares may not be indicative of the performance of our H Shares. You must, therefore, not place undue reliance on the prior trading history of our A Shares when evaluating an investment in our H Shares.

There has been no prior public market for our H Shares.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The trading volume and market price of our H Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our H Shares pursuant to the Global Offering.

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, strategic alliances or acquisitions, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future increases or perceived significant increase in the supply of our H Shares in public markets following the Global Offering could materially and adversely affect the price of our H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

The market price of our H Shares when trading begins could be lower than the Offer Price.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

We cannot assure you that the H Shares will remain listed on the Stock Exchange.

Although it is currently intended that the H Shares will remain listed on the Stock Exchange, there is no guarantee of the continued listing of the H Shares. Among other factors, our Company may not continue to satisfy the listing requirements of the Stock Exchange. Holders of H Shares would not be able to sell their H Shares through trading on the Stock Exchange if the H Shares were no longer listed on the Stock Exchange.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield favorable returns for our Shareholders. We plan to use the net proceeds from the Global Offering to expand capacities and capabilities of our laboratory facilities, establish our pharmaceutical R&D services platform for discovery and development of biologics and conduct potential acquisitions. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. However, our management will have discretion as to our actual use of the net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend for the specific uses we will make of the net proceeds from this Global Offering.

Facts, forecasts and statistics in the prospectus relating to the markets in which we operate may not be fully reliable.

We have derived certain facts, forecasts and statistics in this prospectus related to China, the U.S. and the U.K. and their pharmaceutical and biotechnology industries from various government or other third-party sources. Neither we nor any of the parties involved in this Global Offering have prepared or independently verified such facts, forecasts or statistics, which may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside China. We cannot guarantee the accuracy or reliability of the information derived from official government or other third-party sources. Accordingly, you should not place undue reliance on such information as a basis for making your investment in H Shares.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

Since the listing of our A Shares on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the Shenzhen Stock Exchange. However, the information we announce in connection with our A Shares listing is based on regulatory requirements and market practices in the PRC, which differ from those applicable to the Global Offering. Such information does not and will not form a part of this prospectus. As a result, prospective investors in our H Shares are reminded that in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to purchase H Shares in the Global Offering you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong related to the Global Offering.

We may not declare dividends on our H Shares in the future.

On May 15, 2019, our shareholders approved the 2018 Profit Distribution Plan, pursuant to which an aggregate amount of RMB72.2 million (inclusive of tax) was subsequently paid in July 2019 to our shareholders on the applicable record date, which amounted to a dividend of RMB1.10 (inclusive of tax) for every 10 Shares of our Company. We cannot guarantee whether, when or in what form dividends will be paid in the future. The Board has discretion in determining the frequency and amount of dividend distributions, subject to the approval of the Shareholders. A decision to declare or pay any dividends and the amount of any such dividend will depend on a number of factors. These factors include our results of operations, cash flows and financial condition, capital adequacy ratios, operating and capital expenditure requirements, distributable profits, our Articles of Association, statutory and regulatory restrictions on the payment of dividends and other factors that our Board deems relevant. Please refer to the paragraph headed "Financial Information—Dividends" in this prospectus for more details. There is no assurance that we will adopt the same dividend policy we have adapted in the past.

You should only rely on the information included in this prospectus to make your investment decisions, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our H Shares or the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, which may include certain issues and information not contained in this prospectus. We have not authorized disclosure of any such information in the press or media. Such media coverage, whether or not accurate and whether or not applicable to us, may materially and adversely affect our results of operations and financial condition as well as the price of our H Shares. We make no representations as to the appropriateness, accuracy, completeness or reliability of such information and disclaim all responsibility for such information. In addition, because our A Shares are listed on the Shenzhen Stock Exchange, we are also required to make certain formal announcements in China and file certain reports with China's regulators relating to us and our A Shares. Such announcements and reports do not and will not form a part of this prospectus and should not be relied on by prospective investors in our H Shares.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. Our Company considers that our Group's management is best able to attend to its functions by being based in the PRC. None of our executive Directors is or will be ordinarily resident in Hong Kong after the Listing of our Company. Our Directors consider that relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

(i) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. LOU, our chief operating officer, president and executive Director, and Ms. MAK Po Man Cherie, our company secretary. Ms. MAK is situated and based in Hong Kong. Each of our authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(ii) As and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorised representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;

(iii) Although our executive Directors and non-executive Director are not ordinary residents in Hong Kong, each of our Directors possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

(iv) We have appointed Guotai Junan Capital Limited as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us; and

(v) We have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address).

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors and/or the compliance adviser in accordance with the Listing Rules.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTION

We have entered into one transaction which would constitute partially-exempt continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant us, a waiver from strict compliance with the announcement requirement set out in Chapter 14A of the Listing Rules in relation to that partially-exempt continuing connected transaction between us and our connected person. For further details of such continuing connected transaction and the waiver, please refer to the section headed "Connected Transactions" in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH NOTE 1 TO RULE 17.03(9) OF THE LISTING RULES

Under note 1 to Rule 17.03(9) of the Listing Rules, the exercise price of the share options to be granted under a share option scheme must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

Pursuant to the A Share Incentive Scheme, all the Shares and/or interests to be granted therein shall be A Shares. On August 15, 2019, the general meeting of the shareholders of our Company had resolved to grant 4,521,087 Restricted A Shares, representing 80% of the A Shares available under the A Share Incentive Scheme and 0.69% of our Company's total issued share capital of 656,293,575 Shares as of the Latest Practicable Date. The remaining 20%, being 1,130,272 A Shares, representing 0.17% of our Company's total issued share capital of 656,293,575 Shares as of the Latest Practicable Date, shall be reserved for further option grants (the "Reserved Share Options").

Under the A Share Incentive Scheme, the Reserved Share Options to be granted shall involve A Shares only, and the determination of the exercise price (the "Exercise Price") is in accordance with the relevant laws and regulations of the PRC. The grant price of the Reserved Share Options shall not be lower than the nominal value of the Shares, and not lower than the higher of (i) the average trading price of the A Shares on the trading day preceding the date of announcement of the grant of the Reserved Share Options; or (ii) the average trading prices of the A Shares for the last 60 trading days preceding the date of announcement of the grant of the Reserved Share Options. For the principal terms of the A Share Incentive Scheme, please see the paragraph headed "Appendix VII—Statutory and General Information—2. Further Information about our Business—B. Share Incentive Schemes" in this prospectus.

Based on the following reasons, our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with note 1 to Rule 17.03(9) of the Listing Rules in respect of the exercise price of the Reserved Share Options on the following grounds:

(a) the grant of the Reserved Share Options, if any, shall involve A Shares only;

(b) the A Share Incentive Scheme is in compliance with the relevant laws and regulations of the PRC;

(c) the principal terms of the A Share Incentive Scheme and the determination of the exercise price under the subsequent grant(s) are set out in the paragraph headed "Appendix VII—Statutory and General Information—2. Further Information about our Business—B. Share Incentive Schemes" of this prospectus, which would provide potential investors with sufficient information to make a relevant assessment of our Company in their investment decision making process. The details of any subsequent grant of the Reserved Share Options, the exercise price and other principal terms will be disclosed by way of announcement(s); and

(d) the waiver will not prejudice the interest of the investing public based on the reasons above and the amount of A Shares involved is or will be insignificant.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

APPROVAL OF THE CSRC

We have submitted an application to the CSRC to apply for listing of the H Shares on the Stock Exchange and for the Global Offering and we obtained the letter of acceptance from the CSRC on August 23, 2019.

The CSRC issued an approval letter on October 25, 2019 for the submission of the application to list our H Shares on the Hong Kong Stock Exchange and for the Global Offering. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or on the Application Forms. No other approvals are required to be obtained for the listing of the H Shares on the Stock Exchange.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of 11,653,700 H Shares initially offered and the International Offering of 104,882,400 H Shares initially offered (subject, in each case, to re-allocation on the basis under the section headed "Structure of the Global Offering" in this prospectus).

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us. The International Offering is managed by the Joint Bookrunners. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the H Shares and agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

For details of the structure of the Global Offering, including its conditions, please refer to the section headed "Structure of the Global Offering" in this prospectus. For the procedures for applying for our H Shares, please refer to the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms. For details of the arrangements relating to the Over-allotment Option and stabilization, please refer to the section headed "Structure of the Global Offering" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Thursday, November 21, 2019 or such later date as may be agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and in any event no later than Tuesday, November 26, 2019. If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed.

INFORMATION ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

RESTRICTIONS ON OFFER AND SALE OF THE H SHARES

Each person acquiring the H Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the H Shares to, confirm that he is aware of the restrictions on offers of the H Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Save for our A Shares listed on the Shenzhen Stock Exchange as disclosed in this prospectus, no part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

H SHARE REGISTRAR AND STAMP DUTY

All of the Offer Shares will be registered on the H Share register of members of our Company maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong. Our register of members will also be maintained by us at our legal address in the PRC.

Dealings in the H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by our Company, dividends payable in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as such term is defined in the Hong Kong Listing Rules) of any of the Directors of our Company or any existing Shareholders of our Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the H Shares or your exercise of any rights attaching to the H Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates:

US$1.00	:	HK$7.83253
RMB1.00	:	HK$1.11766
US$1.00	:	RMB7.00800

No estimation is made that any amounts in HK$, RMB and US$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail. The English names of companies incorporated in the PRC are translations of their Chinese names and are included for identification purposes only.

COMMENCEMENT OF DEALING IN THE H SHARES

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Thursday, November 28, 2019.

OTHER

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. LOU Boliang (樓柏良)	131 Treehouse Irvine CA 92603-0692 United States of America	American
Mr. LOU Xiaoqiang (樓小強)	Room 101 No. 273 Xinhai Nanli Majuqiao Tongzhou District Beijing China	Chinese
Ms. ZHENG Bei (鄭北)	Room 101 No. 273 Xinhai Nanli Majuqiao Tongzhou District Beijing China	Chinese
Non-executive Directors		
Mr. CHEN Pingjin (陳平進)	Room 1309 Building No. 1 Huixinyuan No. 9 Huixinxi Street Chaoyang District Beijing China	Chinese
Mr. HU Baifeng (胡柏風)	Room 310 Building No. 8 Jinquanjiayuan Yayun Village Chaoyang District Beijing China	Chinese
Mr. LI Jiaqing (李家慶)	Room 302 Lane 888 No. 8 Jinxiu Road Shanghai China	Chinese
Mr. ZHOU Hongbin (周宏斌)	Room 3504 Building No. 8 No. 501 Kangding Road Jing'an District Shanghai China	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. DAI Lixin (戴立信)	Room 601 Lane 585 No. 2 Liuzhou Road Shanghai China	Chinese
Ms. LI Lihua (李麗華)	Room 102 Heshiyuan Xiaoqu No. 12 Yuanmingyuan Dongmen Haidian District Beijing China	Chinese
Ms. CHEN Guoqin (陳國琴)	Unit 15C Building No. 3 Madian Guancheng Beiyuan Haidian District Beijing China	Chinese
Ms. SHEN Rong (沈蓉)	Room 1001 Lane No. 1 Kaibin Road No. 19 Shanghai China	Chinese
Mr. TSANG Kwan Hung Benson (曾坤鴻)	1701 Block 19 Heng Fa Chuen Chai Wan Hong Kong	Chinese (Hong Kong)

Name	Address	Nationality
SUPERVISORS		
Dr. YANG Kexin (楊珂新)	No. 8 Wenhuayuan Road Daxing District Beijing China	American
Mr. LIU Jun (劉駿)	Unit 309 Block A Building No. 7 Pingguo District South Baiziwan Road No. 32 Chaoyang District Beijing China	Chinese
Ms. ZHANG Lan (張嵐)	Unit 1-431 East Street No. 15 Guanganmen Station Xicheng District Beijing China	Chinese

For the biographies and other relevant information of the Directors and Supervisors, please see the section "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	CLSA Capital Markets Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	Orient Capital (Hong Kong) Limited Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Hong Kong
Joint Global Coordinators	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	Orient Securities (Hong Kong) Limited Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Hong Kong
Joint Bookrunners	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong

	Orient Securities (Hong Kong) Limited Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Hong Kong
	China Renaissance Securities (Hong Kong) Limited Units 8107-08, Level 81 International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
Joint Lead Managers	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	Orient Securities (Hong Kong) Limited Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Hong Kong
Legal Advisers to the Company	*as to Hong Kong and U.S. laws:* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong
	as to PRC law: **Zhong Lun Law Firm** 28/31/33/36/37F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing 100022 China

Legal Advisers to the Joint Sponsors and Underwriters	*as to Hong Kong and U.S. laws:* **Skadden, Arps, Slate, Meagher & Flom and affiliates** 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *as to PRC law:* **Jun He LLP** 20/F, China Resources Building 8 Jianguomenbei Avenue Beijing China
Auditors and Reporting Accountants	**Ernst & Young** 22/F CITIC Tower 1 Tim Mei Avenue, Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai China
Property Valuer	**Asia-Pacific Consulting and Appraisal Limited** Flat/Rm A, 12/F Kiu Fu Commercial Building 300 Lockhart Road Wan Chai Hong Kong
Receiving Bank	**CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

Registered Office, Headquarters and Principal Place of Business in the PRC	8th Floor, Block 1 6 Tai-He Road Beijing Economic Technological Development Area Beijing China
Principal Place of Business in Hong Kong	40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company Website	**www.pharmaron.com** (Information contained on this website does not form part of this prospectus)
Company Secretary	Ms. MAK Po Man Cherie *Associate member of the Hong Kong Institute of Chartered Secretaries* 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. LOU Xiaoqiang Room 101 No. 273 Xinhai Nanli Majuqiao Tongzhou District Beijing China Ms. MAK Po Man Cherie 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Ms. SHEN Rong (*Chairperson*) Ms. LI Lihua Ms. CHEN Guoqin Dr. LOU Boliang* Ms. ZHENG Bei*

* Pursuant to the board resolutions of our Company dated August 14, 2019, Dr. LOU Boliang and Ms. ZHENG Bei will resign from their positions as the members of the audit committee of the Board upon Listing.

Remuneration and Appraisal Committee	Ms. SHEN Rong (*Chairperson*) Dr. LOU Boliang Mr. LOU Xiaoqiang Ms. LI Lihua Ms. CHEN Guoqin
Nomination Committee	Ms. CHEN Guoqin (*Chairperson*) Dr. LOU Boliang Ms. ZHENG Bei Ms. SHEN Rong Ms. LI Lihua
Strategy Committee	Dr. LOU Boliang (*Chairperson*) Mr. LOU Xiaoqiang Mr. CHEN Pingjin Mr. LI Jiaqing Mr. DAI Lixin
Compliance Adviser	**Guotai Junan Capital Limited** 26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	**Industrial and Commercial Bank of China (Beijing Jintai Road Branch)** 1/F, People's Daily News New Media Building Chaoyang District Beijing China **China Merchants Bank (Beijing Shuangyushu Branch)** Science and Technology Building No. 9 Haidian District Beijing China

China Minsheng Bank
(Beijing Muxidi Branch)
No. 3 Fuxing Road
Haidian District
Beijing
China

Bank of China (Ningbo Hangzhou Bay New District Branch)
No. 907-909, Binhai 2nd Road
Hangzhou Bay New District
Ningbo
China

Silicon Valley Bank
3003 Tasman Drive
Santa Clara
CA 95054
United States

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public, market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing this Report, an independent industry report in respect of the Global Offering (the "F&S Report"). We believe that the sources of the information in this section and other sections of this prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us, the Joint Sponsors, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering (except for Frost & Sullivan), and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that after making reasonable enquiries, there is no adverse change in the market information since the date of the F&S Report that would qualify, contradict or have a material impact on the information in this section.

SOURCE OF INFORMATION

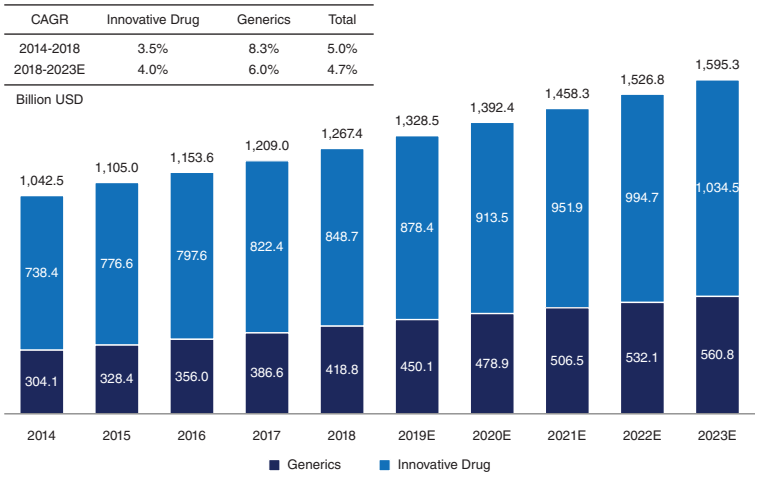
In connection with the Global Offering, we have commissioned Frost & Sullivan, an Independent Third Party, to conduct research and analysis of, and to produce a report on the pharmaceutical R&D service market. The F&S Report has been prepared by Frost & Sullivan independent of our influence. We have agreed to pay Frost & Sullivan a fee of RMB680,000 for the preparation of the report which we consider in line with market rates. Except as otherwise noted, all data and forecasts in this section are derived from the F&S Report and Frost & Sullivan has used exchange rate conversions as set out in the F&S Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of F&S Report which may qualify, contradict or have an impact on the information disclosed in this section. Frost & Sullivan's independent research was undertaken primarily through secondary research which primarily involved analyzing data from various publicly available data. In compiling and preparing the F&S Report, Frost & Sullivan has made the following key assumptions: (i) the global economy is likely to maintain a steady rate of growth in the next five years; (ii) the key growth drivers mentioned in this section are likely to drive the growth of the global pharmaceutical market and the pharmaceutical R&D service market from 2018 to 2023; and (iii) there is no force majeure or industry regulation that affects any of such markets dramatically or fundamentally. In this section, Frost & Sullivan presents historical market information for five years (i.e., from 2014 to 2018) which is a longer period compared to the three-year Track Record Period and is a more accurate reflection of the trends affecting our markets.

OVERVIEW OF THE GLOBAL AND CHINA PHARMACEUTICAL MARKET

The Global and China Pharmaceutical Markets

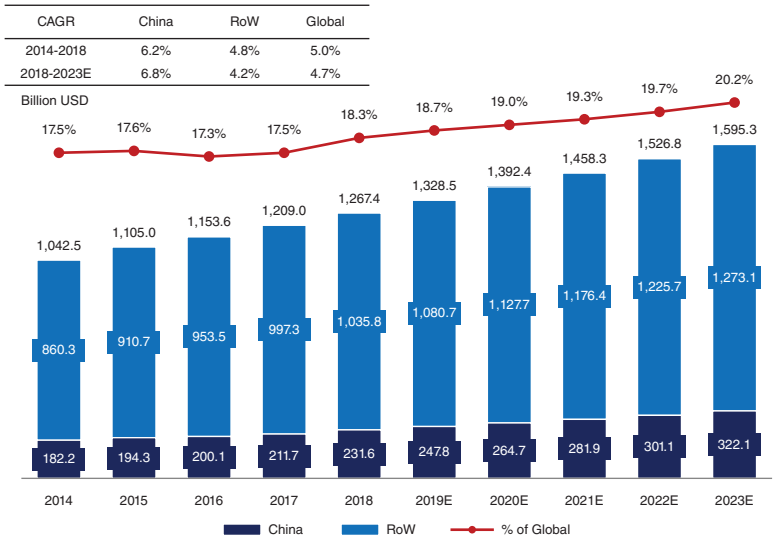
The global pharmaceutical market has been developing steadily in recent years, with its market size growing from US$1,042.5 billion in 2014 to US$1,267.4 billion in 2018, representing a CAGR of 5.0%, and is expected to reach US$1,595.3 billion in 2023, representing a CAGR of 4.7%. The global pharmaceutical market generally consists of two segments, namely the innovative drug market and the generics (including biosimilar) market. The innovative drug market is larger in size compared to generics, which increased by US$110.3 billion from US$738.4 billion in 2014 to US$848.7 billion in 2018 and is expected to further increase by US$185.8 billion to US$1,034.5 billion in 2023. The generics market size increased from US$304.1 billion in 2014 to US$418.8 billion in 2018, and is expected to reach US$560.8 billion in 2023.

Breakdown of Global Pharmaceutical Market, 2014-2023E



The China pharmaceutical market is the second largest market, according to Frost & Sullivan. The market size increased from US$182.2 billion in 2014 to US$231.6 billion in 2018, representing a CAGR of 6.2% from 2014 to 2018, and is expected to reach US$322.1 billion in 2023, representing a CAGR of 6.8% from 2018 to 2023. In addition, the China pharmaceutical market as a percentage to the global pharmaceutical market increased from 17.5% in 2014 to 18.3% in 2018, and is expected to further increase to 20.2% in 2023.

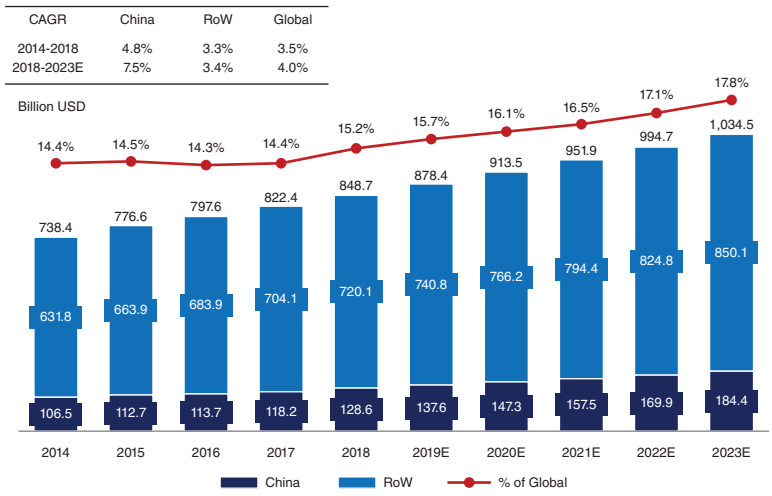
Global and China Pharmaceutical Market, 2014-2023E



The Global and China Innovative Drug Markets

With more global pharmaceutical and emerging biotech companies investing heavily on innovative drug R&D and the trend of personalized medicine, the size of the global innovative drug market increased from US$738.4 billion in 2014 to US$848.7 billion in 2018, and is expected to reach US$1,034.5 billion in 2023. The China innovative drug market grew faster than the global average, which increased from US$106.5 billion in 2014 to US$128.6 in 2018, representing a CAGR of 4.8% from 2014 to 2018, and is expected to reach US$184.4 billion in 2023, representing a CAGR of 7.5% from 2018 to 2023. In particular, China innovative drug market already accounted for 55.5% in total pharmaceutical market in 2018, and it is expected to outpace the growth rate of China generics market in 2018 to 2023.

Global and China Innovative Drug Market, 2014-2023E



Future Trends in Global and China Pharmaceutical Markets

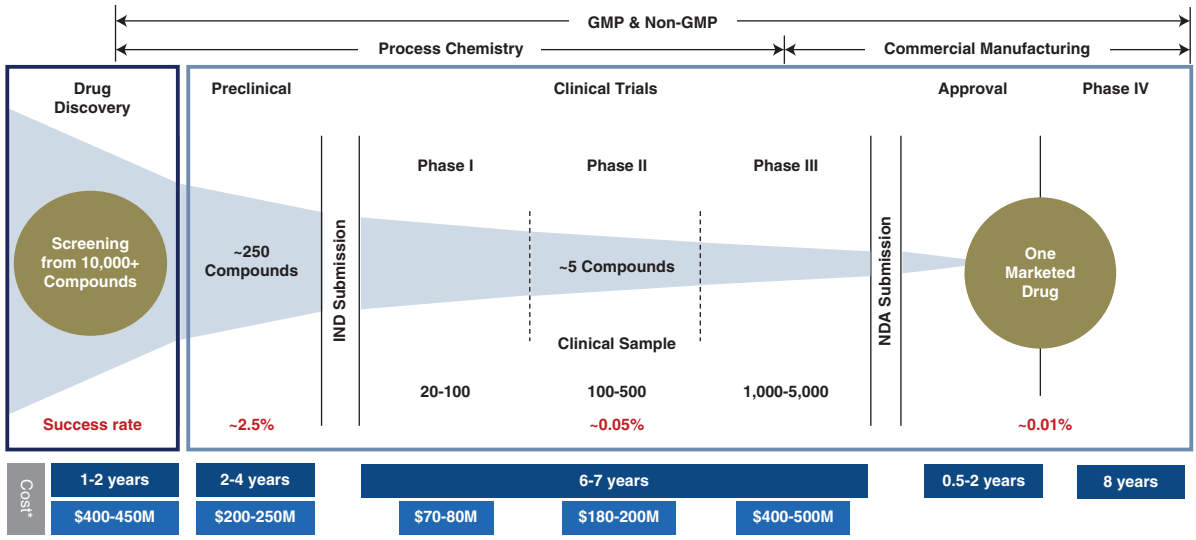
The global pharmaceutical market is expected to experience the following trends in the coming years, including the increasing importance of emerging markets, increasing approvals of innovative drugs from biotech companies, diversified pharmaceutical R&D models which gradually shifted from in-house R&D to external R&D services, continued expansion of biologics and emerging novel therapies for unmet medical needs. In addition, the pharmaceutical industry has become a hotspot for global venture capital/private equity investment in recent years, which gave rise to the booming of biotech companies globally. The overall venture capital/private equity investment in the global pharmaceutical market increased from US$12.9 billion in 2014 to US$33.3 billion in 2018. In general, biotech companies rely heavily on external R&D services in carrying out their R&D activities and therefore the increased investment in biotech companies is likely to provide growth opportunities for pharmaceutical R&D service providers.

In addition, the China pharmaceutical market, being the fastest growing pharmaceutical market, is expected to experience the following trends in the coming years, including the expansion of innovative drug market in China, growing innovations led by biotech companies which rely on external pharmaceutical R&D services, improving availability of novel therapies, and increasing investment in the pharmaceutical/biotech sector. Moreover, with the pilot scheme of centralized procurement of generics and inclusion of innovative drugs into the National Drug Reimbursement List of China, it is believed that the China pharmaceutical market is shifting towards the innovative drug driven market. China innovative drug market is expected to reach US$184.4 billion in 2023, representing a CAGR of 7.5% from 2018 to 2023, which is faster than that of generics during the same period.

OVERVIEW OF R&D ACTIVITIES IN PHARMACEUTICAL MARKET

Pharmaceutical R&D Activities

In the pharmaceutical industry, a new drug needs to go through extensive testing and regulatory review to examine and verify its safety and efficacy before it is allowed to be released to the market. In addition, a new drug may still be required to undergo further testing or clinical trials (i.e., phase IV clinical trial) after commercialization or market launch. The complete process of drug research and development is generally categorized into four stages: (i) discovery, (ii) preclinical development, (iii) clinical development (e.g., phase I—III clinical studies) and (iv) post approval clinical studies (e.g., phase IV clinical studies). This process is time consuming, capital intensive, and risky. On average, the process typically takes more than 10 years and requires over US$1 billion in R&D costs from early stage drug discovery to commercialization. Furthermore, the success rate for developing a new drug from drug discovery to approval is extremely low, and if the failure risk were taken into account, the average R&D costs of a marketed innovative drug may reach US$2.6 billion.



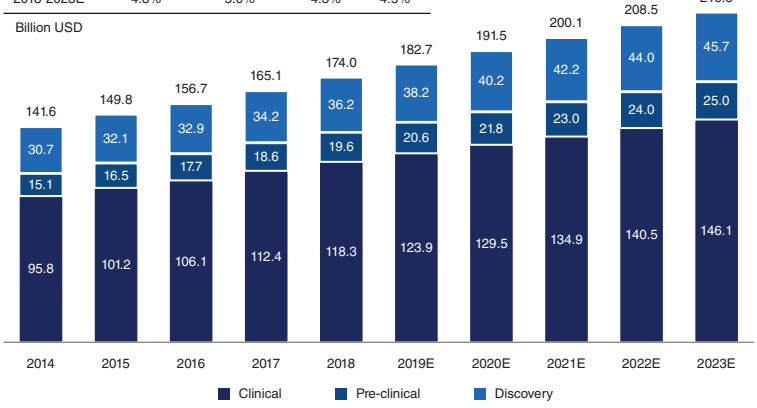
** The cost is based on out-of-pocket cost rather than capitalized cost.*

Global and China Pharmaceutical R&D Activities

The global R&D expenditure is growing and is expected to continue with such growth trend over the next few years, primarily driven by increasing capital investment, development of innovative technology, increasing number of pipeline drugs candidates, more resources required for pharmaceutical R&D of innovative drugs, precision medicines, favorable policies and unmet medical demands. The global R&D expenditure increased from US$141.6 billion in 2014 to US$174.0 billion in 2018, representing a CAGR of 5.3%, and is expected to reach US$216.8 billion in 2023. The chart below sets forth the global pharmaceutical R&D expenditure broken down by respective drug discovery or development stages:

Global R&D Expenditure and Breakdown by Discovery, Pre-clinical and Clinical, 2014-2023E

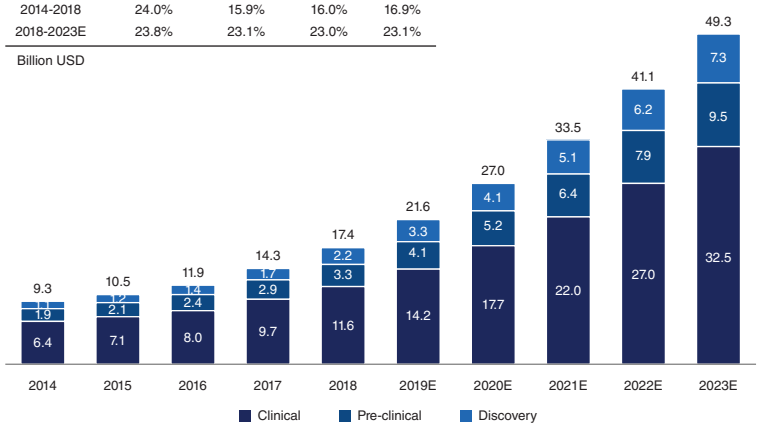
CAGR	Discovery	Pre-clinical	Clinical	Total
2014-2018	4.2%	6.6%	5.4%	5.3%
2018-2023E	4.8%	5.0%	4.3%	4.5%



The China pharmaceutical market has a high potential for China R&D expenditure to continue to increase, as it only accounted for 10.0% of the total global pharmaceutical R&D expenditure in 2018 and such percentage is expected to increase to 22.7% in 2023. The China pharmaceutical R&D expenditure is expected to continue to grow along with the global pharmaceutical R&D expenditure in the coming years with a growth rate higher than the global average. It is expected that the projected growth of the China R&D expenditure will be driven by, among others, large China-based pharmaceutical companies shifting their focus from generic drugs to innovative drugs and the rapidly increasing number of biotech companies in China. The China R&D expenditure increased from US$9.3 billion in 2014 to US$17.4 billion in 2018, representing a CAGR of 16.9%, and is expected to reach US$49.3 billion in 2023.

China R&D Expenditure and Breakdown by Discovery, Pre-clinical and Clinical, 2014-2023E

CAGR	Discovery	Pre-clinical	Clinical	Total
2014-2018	24.0%	15.9%	16.0%	16.9%
2018-2023E	23.8%	23.1%	23.0%	23.1%



OVERVIEW OF PHARMACEUTICAL R&D SERVICE MARKET

Pharmaceutical R&D Service Value Chain

Pharmaceutical R&D services are primarily divided into two types, Contract Research Organizations (CROs) and Contract Manufacturing Organizations (CMOs). Conventionally, service offerings by CROs cover various scientific functions of the discovery, preclinical and clinical stages of pharmaceutical R&D. On the other hand, service offering by CMOs primarily cover the research and commercialization manufacturing as well as process/formulation development to support the preclinical and clinical stages. The following chart illustrates typical service offerings of CROs and CMOs:

Pharmaceutical R&D Service Value Chain

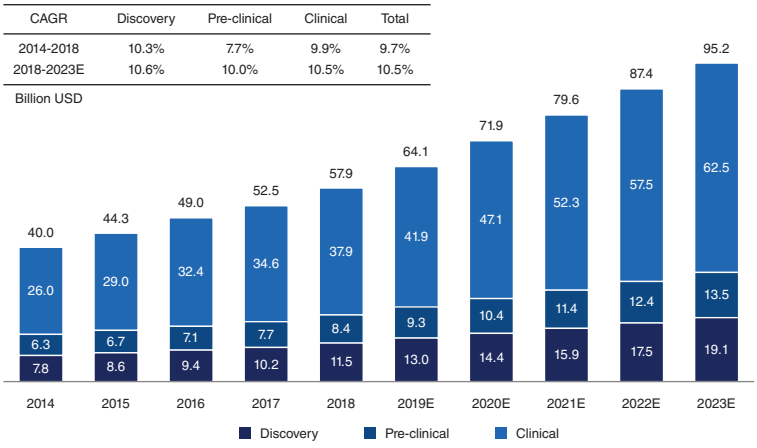
Global Pharmaceutical R&D Service Market

Outsourcing pharmaceutical R&D to external service providers offers certain advantages to pharmaceutical companies seeking to achieve efficiency in their pharmaceutical R&D projects. External pharmaceutical R&D service providers combine specialized talent and expertise, advanced equipment and methods, customized development capability and production capacity as well as quality, cost and risk control systems. As a result, the trend of outsourcing pharmaceutical R&D to external service providers is expected to continue in the coming years, driven by growing pharmaceutical R&D expenditure, extending and customized R&D services, and increasing demand of R&D efficiency.

Global CRO Market

The CRO market includes R&D services provided for drug discovery, pre-clinical and clinical stages. Services offered by CROs have evolved from basic supporting services to a wide range of clinical, central lab and analytical services that suit the demand of the market during the drug discovery and development process. The global CRO market size increased from US$40.0 billion in 2014 to USD57.9 billion in 2018, representing a CAGR of 9.7%, and is expected to reach US$95.2 billion in 2023, representing a CAGR of 10.5%. The global drug discovery CRO market size increased from US$7.8 billion in 2014 to USD11.5 billion in 2018, representing a CAGR of 10.3%, and is expected to reach US$19.1 billion in 2023, representing a CAGR of 10.6%.

Global CRO Market and Breakdown, 2014-2023E

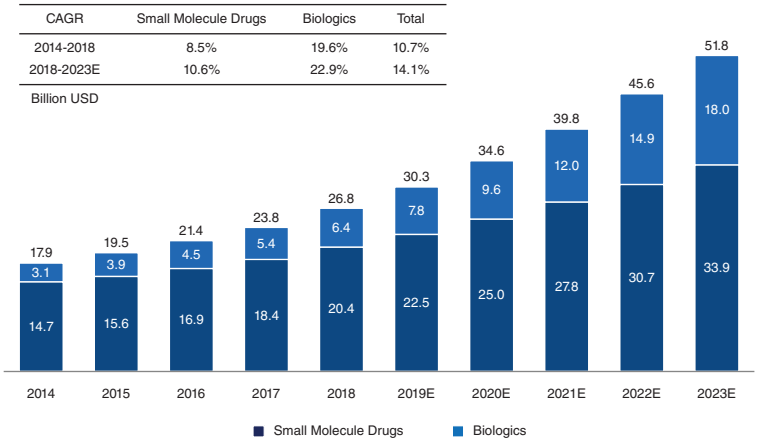


The penetration rate of the global CRO market, measured as a percentage of the global pharmaceutical R&D expenditure, increased from 32.6% in 2014 to 37.2% in 2018, and is expected to grow at a faster rate and further increase to 48.0% in 2023. In particular, the penetration rate for drug discovery services increased from 28.8% in 2014 to 35.2% in 2018, and is expected to further increase to 42.5% in 2023, while the penetration rate of preclinical and clinical development services increased from 33.7% in 2014 to 37.7% in 2018, and is expected to further increase to 49.3% in 2023.

Global CMO Market

The CMO market includes services for the manufacturing of small molecule drugs and biologics. The global CMO market size increased from US$17.9 billion in 2014 to US$26.8 billion in 2018, representing a CAGR of 10.7%, and is expected to reach US$51.8 billion in 2023. In particular, the CMO market for small molecule drugs increased from US$14.7 billion in 2014 to US$20.4 billion in 2018, and is expected to further increase to US$33.9 billion in 2023, while the CMO market for biologics increased from US$3.1 billion in 2014 to US$6.4 billion in 2018, and is expected to further increase to US$18.0 billion in 2023.

Global CMO Market and Breakdown, 2014-2023E



Competitive Landscape of Global Pharmaceutical R&D Service Market

The global pharmaceutical R&D service market is competitive and the top 20 players had an aggregate market share of 47.3% in total by revenue in 2018. The table below shows the leading global pharmaceutical R&D service providers, their respective rankings, revenues in 2018, headquarters, year of establishment, service coverages and listing status.

Competitive Landscape of Global Pharmaceutical R&D Service Market[1], 2018

Rank	Company	Revenue[2], Million USD	Headquarter	Year of Establishment	Business Coverage				Listed Company
					Discovery	Pre-Clinical	Clinical	CMO	
1	Company A	5,465.0	US	1982			√		Yes
2	Company B	4,313.1	US	1978	√	√	√		Yes
3	Company C	3,211.2	US	1984			√		Yes
4	Company D	3,189.9	Switzerland	1897				√	Yes
5	Company E	2,622.4	US	1976			√		Yes
6	Company F	2,463.4	US	2007				√	Yes
7	Company G	2,349.0	Netherlands	1902				√	Yes
8	Company H	2,266.1	US	1947	√	√		√	Yes
9	Company I	2,244.7	US	1982			√		No
10	Company J	2,217.6	US	1974				√	No
11	Company K	2,014.0	US	1985		√	√		No
12	Company L	1,897.6	Ireland	1990			√		Yes
13	Company M	1,450.3	China	2000	√	√	√	√	Yes
14	Company N	879.1	Germany	1885				√	No
15	Company O	812.1	Switzerland	1873				√	Yes
16	Company P	734.0	Sweden	1995				√	Yes
17	Company Q	515.0	US	1981				√	Yes
18	Company R	486.9	South Korea	2011				√	Yes
19	Company S	478.1	US	1992			√		Yes
20	**Our Group**	**439.3**	**China**	**2004**	√	√	√	√	**Yes**

Notes:

(1) Pharmaceutical R&D service market includes both CRO and CMO markets.

(2) Yearly-average exchange rates: 1USD = 0.9786CHF (Switzerland Franc), 1USD = 0.8475EUR (Euro dollar), 1USD = 8.6834SEK (Swedish Krona), 1USD = 1,100.4961KRW (Korea Won), 1USD = 0.7639GBP (British Pound)

Globally, the drug discovery R&D service market is fragmented, with the top three players having a market share of 23.5% in total by revenue in 2018.

Rank	Company	Market Share	Headquarter
1	Company H	15.9%	US
2	Company M	5.3%	China
3	**Our Group**	**2.3%**	**China**
4	Company B	1.8%	US

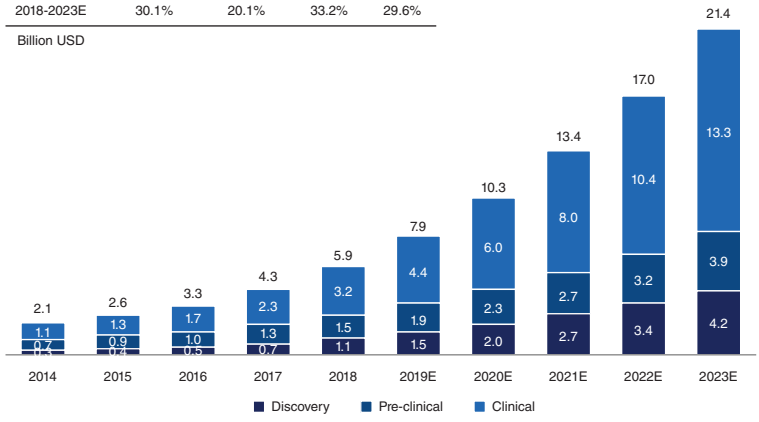
China-based Pharmaceutical R&D Service Market

China-based CRO Market

The China-based CRO market size increased from US$2.1 billion in 2014 to US$5.9 billion in 2018, representing a CAGR of 29.2%, and is expected to further grow to US$21.4 billion in 2023, representing a CAGR of 29.6%.

China-based CRO Market and Breakdown, 2014-2023E

CAGR	Discovery	Pre-clinical	Clinical	Total
2014-2018	35.4%	22.2%	31.3%	29.2%
2018-2023E	30.1%	20.1%	33.2%	29.6%



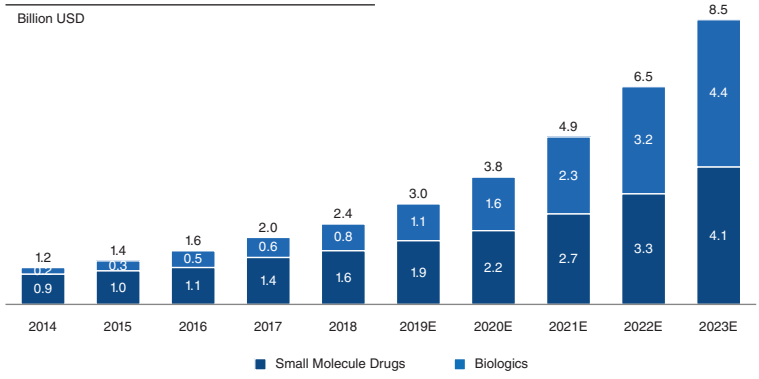
The penetration rate of the China-based CRO market, measured as a percentage of the China pharmaceutical R&D expenditure, increased from 27.4% in 2014 to 35.8% in 2018, and is expected to grow at a faster rate than the global average and increase to 49.3% in 2023.

China-based CMO Market

The China-based CMO market size increased from US$1.2 billion in 2014 to US$2.4 billion in 2018, representing a CAGR of 19.8%, and is expected to reach US$8.5 billion in 2023.

China-based CMO Market and Breakdown, 2014-2023E

CAGR	Small Molecule Drugs	Biologics	Total
2014-2018	14.1%	38.9%	19.8%
2018-2023E	20.8%	41.0%	28.9%



Competitive Landscape of China-based Pharmaceutical R&D Service Market

The China-based pharmaceutical R&D service market is fragmented and the top five players had an aggregate market share of 35.2% in total by revenue in 2018. The table below shows the leading China-based pharmaceutical R&D service providers together with their respective market shares, year of establishment, service coverages and listing status.

Competitive Landscape of China-based Pharmaceutical R&D Service Market*, 2018

Rank	Company	Market Share	Year of Establishment	Business Coverage				Listed Company
				Discovery	Pre-Clinical	Clinical	CMO	
1	Company M	17.6%	2000	√	√	√	√	Yes
2	**Our Group**	**5.3%**	2004	√	√	√	√	Yes
3	Company T	4.6%	2014				√	Yes
4	Company U	4.2%	2004		√	√		Yes
5	Company V	3.4%	1995				√	Yes

***Note:** Pharmaceutical R&D service market includes both CRO and CMO markets.

Future Trends of the Global and China Pharmaceutical R&D Service Market

The global and China pharmaceutical R&D service markets are expected to experience the following trends:

- *Continuous Growth of Market*. Driven by increasing R&D expenditure, favorable policies, technology advancements, increasing penetration rate and emerging biotech companies, the global pharmaceutical R&D service market has recorded a continuous growth in the past few years and is expected to follow the same trend in coming years.

- *Preference to End-to-End Services*. It is an increasing trend for pharmaceutical companies, especially biotech companies, to collaborate with pharmaceutical R&D service providers that can provide more comprehensive and integrated services throughout the entire pharmaceutical R&D process in order to minimize the complexity of dealing with multiple external R&D service providers as well as to leverage the comprehensive scientific expertise of the pharmaceutical R&D service providers to complement with their internal R&D resources.

- *Increasing Consolidation*. Many pharmaceutical R&D service providers are undergoing consolidation with an aim to achieve greater economies of scale and broaden their scientific expertise, which enables them to contribute more scientific value to their customers' pharmaceutical R&D projects, provide more cost efficient options to the customers, expand their addressable service market as well as deepen the customer relationships.

- *Emerging Partnership Model*. Pharmaceutical R&D service providers, especially those capable to provide fully integrated services, are well positioned to form strategic partnerships with their pharmaceutical or biotech customers and become an integral part of the strategic partners' R&D strategies.

Key Drivers of the Global and China Pharmaceutical R&D Service Market

The following drivers primarily fuel the growth of the pharmaceutical R&D service market globally and in China:

- *Increasing Investment in R&D*. The global R&D expenditure reached US$174.0 billion in 2018, growing at a CAGR of 5.3% from 2014 to 2018. The growth in R&D expenditure brings more opportunities and is expected to drive the growth of pharmaceutical R&D service market significantly. In addition, with the pressure arising from patent cliff of the innovative drug products currently in the market, pharmaceutical companies have imminent needs to develop more innovative drug in order to expand their innovative drug product portfolio. In China, pharmaceutical R&D expenditure also maintained a fast rate of growth, increasing from US$9.3 billion in 2014 to US$17.4 billion in 2018. With increasing capital investment and the favorable policies, the pharmaceutical R&D expenditure in innovative drugs will increase significantly. As such, with the rising R&D expenditure globally and in China, increasing capital investment and sufficient reserve of professional talents, the China pharmaceutical R&D service industry is expected to benefit from the strong demand for external pharmaceutical R&D services.

- *Emerging Biotech Companies*. Biotech companies around the world contributed to a substantial portion of the newly approved innovative drugs in the past years. With increased investment in the biotech/pharmaceutical sector and the support of pharmaceutical R&D service providers offering comprehensive external R&D support, the entry barriers of drug innovation for biotech companies were significantly lowered and an increasing number of biotech companies are emerging globally and in China.

- *Technology Advancement*. Leading pharmaceutical R&D service providers have the resources and are able to take more efforts on technology advancements to further enhance the efficiency of their R&D services and broaden their scientific expertise and service offerings, which helps them retain existing customers, attract new customers and expand their collaboration with their customers. The virtuous cycle may create more demand for pharmaceutical R&D services and drive the market growth. In addition, technology advancement contributes to better understanding of mechanism of action for diseases, which helps find more novel drug targets and novel approaches that may lead to drugs with greater efficacy for disease treatment. The innovation to address the unmet clinical needs will contribute to growing demand for pharmaceutical R&D services in the future.

- *Favorable Policies*. Globally, pharmaceutical innovation is booming with incentive policies promulgated by government of different countries/jurisdictions, in particular in China. The ongoing reform of drug review and approval system in China effectively encourages pharmaceutical innovation through optimizing clinical trial and NDA approval procedures, including accepting data of overseas clinical trials and international multi-center drug clinical trials. In addition, the Pilot Program of the Drug Marketing Authorization Holder System (藥品上市許可持有人制度試點方案) promulgated in 2016, enables drug marketing authorization holders to delegate the production of drugs to GMP compliant third party manufacturers. Furthermore, the pilot scheme of centralized procurement of generics and inclusion of innovative drugs into the national reimbursed drug list accelerated the China pharmaceutical innovative market growth by encouraging more companies to shift to the development of innovative drugs.

Competitive Advantages of Integrated Pharmaceutical R&D Solution

Integrated pharmaceutical R&D solution consists of services ranging from drug discovery to commercial manufacturing, which cover various scientific functions and disciplines. Therefore, the pharmaceutical R&D service providers could deliver professional services from start to the end of pharmaceutical R&D process to achieve greater efficiency. Integrated pharmaceutical R&D solutions offer the following benefits:

- *Scientific Insights for Project Excellence.* Pharmaceutical R&D service providers with the capability to provide integrated solutions generally have more scientific insights and know-hows across different scientific functions and disciplines at different drug R&D stages. With the more comprehensive understanding from various scientific disciplines on the specific molecule profile, the same service provider will be able to provide R&D services on such molecule in a more efficient manner and achieve project excellence.

- *Greater Coordination Efficiency*. Along with their pharmaceutical R&D projects, pharmaceutical and biotech companies require support from pharmaceutical R&D service providers to cover the entire pharmaceutical value chain. Integrated pharmaceutical R&D solutions enable them to achieve better coordination and expedite the entire pharmaceutical R&D process by minimizing the complexity of dealing with multiple external R&D service providers.

- *Deeper Collaboration and Customized Solutions*. It is an increasing trend for companies engaged in the development of innovative drug R&D, especially biotech companies, to enter into deeper collaborations with pharmaceutical R&D service providers offering integrated solutions and with excellent service track record to cover their comprehensive and specific R&D needs.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

Drug Research and Development & Registration Services

Research and Development of New Drugs

Our pharmaceutical R&D service platform provides integrated laboratory, clinical development and CMC services, all of which are subject to relevant provisions and requirements of the PRC laws and regulations set forth hereunder. Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》, PRC President Order No. 27, effective on December 1, 2001, amended on December 28, 2013 and April 24, 2015 respectively), the dossier on a new drug research and development, including the manufacturing method, quality specifications, results of pharmacological and toxicological tests and the related data and the samples, shall, in accordance with the regulations of NMPA be truthfully submitted to the said department for approval before clinical trial is conducted. When a new drug has gone through the clinical trial and passed the evaluation, a new drug certificate shall be issued upon approval by NMPA. The institutions for non-clinical safety evaluation and study and clinical trial organizations shall respectively implement the Good Laboratory Practice for Non-Clinical Laboratory Studies (the "GLP") (《藥物非臨床研究質量管理規範》, Order No. 34 of the State Food and Drug Administration, effective on September 1, 2017) and Good Clinical Practice (the "GCP") (《藥物臨床試驗質量管理規範》, Order No. 3 of the State Food and Drug Administration, effective on September 1, 2003).

Pursuant to the Measures for the Administration of Drug Registrations (《藥品註冊管理辦法》) (Order No. 28 of the State Food and Drug Administration, effective on October 1, 2007), pre-clinical drug research for the purpose of drug registration includes drug synthetic processes, extraction methods, physical and chemical properties, purity, selection of dosage form, screening of formulation, preparation and production processes, inspection methods, quality indicators, stability, pharmacology, toxicology and pharmacokinetic studies in animals. A pre-clinical drug research shall be subject to the relevant administrative regulations, among which the research on safety assessment must be subject to the GLP. Other pre-clinical related research activities for the purpose of drugs registration shall be carried out with reference to the GLP. Each drug study laboratory shall consist of personnel(s) of similar research experiences, venues, facilities, equipment, apparatus devices and management system and assure the authenticity of the experimental data; all laboratory animals, test articles and raw materials shall be in conformance with the relevant state regulations and requirements. The clinical trials, biological utilization trials or biological equivalency trials involving human testees of various phases shall be conducted in accordance with GCP. A sponsor may organize the clinical trial according to the protocol only after obtaining the approval of the drug regulatory department under the State Council and the approval document from the relevant ethics committee.

Our Group's business involves the import of drugs from overseas for non-clinical trials or clinical trials. Pursuant to the Administrative Measures for the Import of Drugs (《藥品進口管理辦法》) (Order No. 4 of the State Food and Drug Administration and the General Administration of Customs, effective on January 1, 2004 and amended on August 24, 2012), imported drugs shall go through procedures of record-filing, customs declaration and port inspection, which includes the procedures that import entities filing applications for customs clearance for imported drugs to the administrative departments where the ports are located, and the medicine inspection institutions conducting examination in accordance with the law on the imported drugs which have arrived at the ports.

Drug Manufacturing

Pharmaron Ningbo Tech, one of our subsidiaries, has obtained the drug manufacturing license (藥品生產許可證), and we plan to further develop and expand our commercialized drugs and API manufacturing services, which require us to obtain relevant licenses for the production of relevant drugs. Pursuant to the Drug Administration Law of the PRC, a drug manufacturing enterprise is required to obtain a drug manufacturing license from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. Pursuant to the Regulations of Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》, effective on September 15, 2002 and amended on February 6, 2016 and March 2, 2019 respectively) and the Measures on the Supervision and Administration of the Manufacture of Drugs (《藥品生產監督管理辦法》, effective on August 5, 2004 and amended on November 17, 2017), the drug manufacturing license is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

The Good Manufacturing Practice for Drugs (2010 revised edition) (《藥品生產質量管理規範》, effective on March 1, 2011), comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and manner of handling customer complaints.

Pursuant to the Drug Administration Law of the PRC, the Measures on the Supervision and Administration of the Manufacture of Drugs (《藥品生產監督管理辦法》) and the Administrative Measures for Certification of the Good Manufacturing Practice for Drugs (《藥品生產質量管理規範認證管理辦法》, effective on August 2, 2011), the application for Good Manufacturing Practice (the "GMP") certificate shall be made to the relevant drug supervision and administration department by the new drug manufacturer or existing drug manufacturer which builds a new drug production workshop or adds new production forms in 30 days after obtaining the drug manufacturing license or production approval, in order to obtain the relevant certificate. A GMP certificate shall be renewed at least six months prior to its expiration date upon re-examination by the relevant authority.

Drug Registration

We provide clinical development services, which are subject to the inspections conducted by the competent regulators, and we are required to ensure the authenticity, accuracy and completeness of the data generated by such clinical trials. Pursuant to the Measures for the Administration of Drug Registrations (《藥品註冊管理辦法》), the Measures shall apply to the applications filed for drug clinical trials, drug manufacture and import within the territory of the PRC, as well as drug-related examination and approval, registration and inspection, and supervision and administration. Drug registration applications include applications for new drugs, applications for generic drugs, applications for import drugs and the supplementary applications thereof and applications for re-registration. Applications for drug registration filed by the PRC applicants shall be handled according to the procedures and requirements for the applications for new drugs or generic drugs. The applications filed by overseas applicants for the registration of imported drugs shall be handled according to the procedures and requirements for the import of drugs.

In the process of drug registration, the drug regulatory department shall carry out on-site inspections and special or complaint-driven inspections on non-clinical research & clinical trials and production site inspection before granting the drug marketing approval. This is to ensure the authenticity, accuracy and integrity of application material.

If an applicant entrusts another institution with drug researches or single experiment, testing or pilot manufacture of drug samples, it shall execute a contract with the entrusted party, and state such entrustment in the registration application. The applicant shall be responsible for the authenticity of the research data stated in the application materials.

Where an application is only for registration of pharmaceutical preparations, any drug substance used for the research shall obtain drug approval number and imported drug registration certificate or pharmaceutical product registration certificate, and be acquired through legitimated means. Where a drug substance used for the research has no drug approval number, imported drug registration certificate or pharmaceutical product registration certificate, the use of such drug substance in the research shall be subject to the approval of the state drug regulatory department.

The drug regulatory department may request the applicant or the drug research institution undertaking the drug experiments to repeat the experiments regarding the project, methods and data based on the application data. It may also entrust a drug testing institution or other drug research institutions to repeat the experiment or conduct methodological verification.

Pursuant to the Announcement on Several Policies Pertaining to the Review & Approval of Drug Registration (《關於藥品註冊審評審批若干政策的公告》) (No. 230 [2015] of the State Food and Drug Administration, effective on November 11, 2015), in order to improve the quality and efficiency for the review and approval of drugs, the drug regulatory department adopts drug registration, review and approval policies, such as improving the approval standard for generic drugs, standardizing the review and approval of improved new drugs, and optimizing the review and approval of clinical trial applications, etc.

Pursuant to the Office of the State Council's Comments on Commencing Consistency Evaluation of Generic Drugs' Quality and Curative Effects (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》) (No. 8 [2016] of the State Council's Office, effective on February 6, 2016), in order to increase the overall standards of the drug manufacture industry in the PRC and protect the safety and effectiveness of drugs etc., a consistency evaluation must be commenced where generic drugs, that are not approved for sale prior to chemical drugs' new registration categorization, have not been approved according to the principle consistent with the branded drugs' quality and curative effects.

Pursuant to the Procedures of the State Food and Drug Administration for Special Examination and Approval of Drugs (《國家食品藥品監督管理局藥品特別審批程序》) (Order No. 21 of the State Food and Drug Administration, effective on November 18, 2005), where the listed exceptional circumstances arise, the drug regulatory department under the State Council may decide to follow the present Procedures to conduct special examination and approval on the prophylaxis drugs needed in responding to a public health emergency in accordance with the law, the duration for special examination & approval is significantly reduced in comparison with that of the usual examination and approval for registration.

Pursuant to the Notice of the Food and Drug Administration on Management Provisions in Issuing Exceptional Approval on New Drugs (《國家食品藥品監督管理局關於印發新藥註冊特殊審批管理規定的通知》) (No. 17 [2009] of the State Food and Drug Administration, effective on January 7, 2009), the drug regulatory department under the State Council shall conduct special examination and approval for new drug registration under the exceptional circumstances listed in the Measures for the Administration of Drug Registrations. The said department shall, according to the applicant's application, offer priority processing to applications that verifiably fulfil the listed exceptional circumstances, in addition to an enhanced interaction with the applicant.

Laboratory Regulations

Administration of Pathogenic Microorganism Laboratories

We operate pathogenic microbe laboratories. Pursuant to the Regulations on the Bio-safety Management of Pathogenic Microbe Laboratories (《病原微生物實驗室生物安全管理條例》) (Order No. 424 of the State Council, effective on November 12, 2004, amended on February 6, 2016 and March 19, 2018 respectively), the pathogenic microorganism laboratories are classified into Bio-safety Level 1, Bio-safety Level 2, Bio-safety Level 3 and Bio-safety Level 4 in accordance with its biosafety level for pathogenic microorganisms and the national standards for the bio-safety. Laboratories at Bio-safety Level 1 and Level 2 are forbidden to conduct experimental activities relating to any highly pathogenic microbes. Laboratories at Bio-safety Level 3 and Level 4 shall meet certain requirements to conduct experimental activities relating to any highly pathogenic microbes. Newly building, rebuilding or expanding of Bio-safety Level 1 or Level 2 laboratories shall go through the archive filing formalities with the relevant administrative department of health. The laboratories of Bio-safety Level 3 and Level 4 shall be subject to the state accreditation for laboratories. The founder of the laboratory must establish a scientific and rigorous management system that regularly monitors the implementation of bio-safety regulations. They shall also regularly inspect, maintain and update the facilities, equipment and materials in the laboratory to ensure that they are in compliance with national standards.

Administration of Laboratory Animals

Our pharmaceutical R&D services involve the use of laboratory animals, which are subject to the quarantine requirements under the Regulations on the Administration of Laboratory Animals (《實驗動物管理條例》) (Order No. 2 of the State Science and Technology Commission, effective on November 14, 1988 and amended on January 8, 2011, July 18, 2013 and March 1, 2017 respectively). It provides that enterprises that are engaged in feeding and breeding laboratory animals shall, in accordance with relevant standards, conduct regular quality monitoring on laboratory animals. Laboratory animals that are newly introduced shall be subject to quarantine inspection in isolation. Enterprises engaged in working with laboratory animals shall regularly organize physical check-ups for personnel(s) who are in direct contact with the laboratory animals.

Administration of Radiation Safety

Our Company's laboratories will use radioisotopes and radiation devices. Pursuant to the Regulations on the Safety and Protection of Radioisotopes and Radiation Devices (《放射性同位素與射線裝置安全和防護條例》) (Order No. 449 of the State Council, effective on December 1, 2005 and amended on July 29, 2014 and March 2, 2019 respectively), in accordance with the degree of potential harm of radioactive sources and radiation devices to human health and environment, radioactive sources may be divided, from high to low, into Class I, Class II, Class III, Class IV and Class V; radiation devices may be divided into Class I, Class II and Class III. An

entity producing, selling or using radioisotopes or radiation devices shall apply, in advance, for a license to the competent department of environmental protection with the examination and approval power, and submit the evidential materials meeting specified conditions. An entity producing, selling or using radioisotopes or radiation devices shall provide the education and training on safety and protection knowledge for its personnel engaged in relevant works, make assessment, and conduct personal dose monitoring and occupational health examination of its personnel engaged in relevant works; shall conduct annual assessment of the status of safety and protection of its radioisotopes or radiation devices.

Regulations on Medical Devices

Pursuant to Measures for the Administration of Registration of Medical Devices (《醫療器械註冊管理辦法》) (Order No. 4 of the State Food and Drug Administration, effective on October 1, 2014), whoever sells or uses medical devices within the territory of the PRC shall apply for registration or undergo recordation in accordance with these Measures. Medical devices of Class I are subject to recordation administration, and require no clinical trials. Medical devices of Class II and Class III are subject to registration administration, and require clinical trials.

Pursuant to the Opinions of the State Council on Reform of the System of Evaluation, Review and Approval of Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》) (No. 44 [2015] of the State Council, effective on August 9, 2015), in order to encourage the research, development and innovation of medical devices, priority processing shall be given to registration application for innovative medical devices that consist of the core technology invention patent and are of major clinical value; they shall be listed into the scope of special review and approval by the relevant regulatory departments.

Pursuant to the Regulations on the Supervision and Administration of Medical Equipment (《醫療器械監督管理條例》) (Order No. 276 of the State Council of the PRC, firstly promulgated on January 4, 2000 and most recently amended and implemented on May 4, 2017), classification administration is imposed on medical devices according to their risk levels. Clinical trials are required for Class II and Class III medical devices. Clinical trial on medical devices shall be conducted by organizations that possess relevant qualifications as required by the GCP for medical devices trial and shall be filed with the drug regulatory department under the people's government of the province, autonomous region or municipality where the clinical trial provider is located.

Pursuant to the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (effective in October, 2017), for the purposes of promoting structural adjustment and technology innovation in drug and medical device industries, improving industrial competitiveness, and meeting the clinical need of the general public, the state will deepen the reform on the system of examination and approval. The measures include: institutions qualified for clinical trials may, upon registration on the website designated by the Food and Drug regulation department, conduct clinical trials entrusted by registration applicants of drugs or medical devices; optimizing the approval procedures for clinical trials; enhancing the evaluation and approval of urgently-needed clinical drugs and medical devices; supporting the research and development of drugs and medical devices for the treatment of rare diseases, etc.

On September 28, 2018, the NMPA promulgated the newly revised List of Medical Devices Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) (Notice No. 94 [2018] of the NMPA) (the "New Exempted List"), which became effective on the same date. The New Exempted List contains two categories, the medical device products and *in vitro* diagnostic reagents, which cover 855 medical device products and 393 *in vitro* diagnostic reagents, respectively. Product components listed in the description of products under the New Exempted List which are managed separately as medical device with the expected usage being identical to that under the product description in the New Exempted List shall be exempted from clinical trials. Products consisting of medical devices of Class I and medical devices of Class II and Class III (which are exempted from clinical trials) are also exempted from clinical trials, provided that their usage is not expanded.

Regulations on Import and Export of Goods

Import and Export of Goods

The imports and exports of our Group shall be subject to the customs declaration in accordance with the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》) (Order No. 221 of the General Administration of Customs, effective on March 13, 2014, amended on February 1, 2018 and July 1, 2018 respectively). It provides that the import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

Import and Export of Special Articles

Pursuant to the Administrative Provisions on the Sanitation and Quarantine of Entry/Exit Special Articles (《出入境特殊物品衛生檢疫管理規定》) (Order No. 160 of the General Administration of Quality Supervision, Inspection and Quarantine, effective on March 1, 2015 and amended on October 18, 2016, April 28, 2018, May 29, 2018 and November 23, 2018 respectively), the import or export of special articles, including micro-organisms, human tissues, biological products, blood and blood products shall be subject to the supervision and administration over health quarantine. The customs office is responsible for the health quarantine and approval of import and export of special articles in its relevant jurisdictions. The enterprise conducting import or export of special articles shall establish safety management system for special articles, and shall produce, use or sell the special articles in strict accordance with the purposes for the approval of such special articles.

Environmental Regulations

Environmental Assessment and Acceptance of Environmental Protection Facilities

Our facilities in Tianjin, Ningbo and other locations in China require the approvals and completion acceptance documents issued by the competent environmental protection authorities in the PRC. Pursuant to the Law of Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》) (Order No. 77 of the PRC President, effective on September 1, 2003 and amended on July 2, 2016, and December 29, 2018 respectively), Regulations on Environmental Protection Management for Construction Projects (《建設項目環境保護管理條例》) (Order No. 253 of the State Council, effective on November 29, 1998 and amended on July 16, 2017), Measures for the Administration of Environmental Protection Acceptance of Completed Construction Projects (《建設項目竣工環境保護驗收管理辦法》) (Order No. 13 of the State Environmental Protection Administration, effective on February 1, 2002 and amended on December 22, 2010), where effects may be exerted on the environment after the completion of construction projects, the construction enterprise shall submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. The project that is required to prepare the environmental impact report (form) in accordance with the law shall obtain the approval from the relevant environmental protection department for its environmental impact assessment documents; otherwise it shall not start the construction. After the construction project is completed, the construction enterprise shall apply for environmental protection acceptance of the construction project and make acceptance report pursuant to the standard and formality set by the environmental protection authority.

Regulations on Pollution Permit

The operations of our laboratory and/or manufacturing facilities involve the discharge of trade effluent, waste gases and solid waste, and we are required to obtain relevant permits issued by the competent environment protection authorities in the PRC. Pursuant to the Administrative Measures on Pollutant Emission Permits (Trial) (《排污許可管理辦法(試行)》) (Order No. 48 of the Ministry of Environmental Protection, effective on January 10, 2018), enterprises, institutions and other producers and operators (the "pollutant discharge enterprises") that have been included in the Classification Management List for Fixed Source Pollution Permits shall apply for and obtain a discharge permit in accordance with the prescribed time limit. The pollutant discharge enterprises that are not included in the Classification Management List do not need to apply for a pollutant discharge permit. The pollutant discharge enterprise shall hold a pollutant discharge permit in accordance with the law and discharge pollutants in accordance with the discharge permit.

Pursuant to the Notice of the General Office of the State Council on Issuing the Implementation Plan for the Control of Pollutant Release Permit System (《國務院辦公廳關於印發控制污染物排放許可制實施方案的通知》) (No. 81 [2016] of the State Council's Office, effective on November 10, 2016) and the Classification Management List for Fixed Source Pollution Permits (2017 Edition) (《固定污染源排污許可分類管理名錄(2017年版)》) (Order No. 45 of Ministry of Environmental Protection, effective on July 28, 2017), the state implements a focused management and a simplification of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. The manufacturing of drug substance and manufacturing dose for chemical drugs are industries that shall obtain the discharge permit in accordance with the prescribed time limit. The Ministry of Environmental Protection shall be responsible for guiding the implementation and the supervision of the national sewage permit system. The municipal environmental protection department shall be responsible for issuing the pollutant discharge permit in the district where the pollutant-discharging enterprise is located.

Safety Management Supervision

Safety Production Management

Pursuant to the Law on Work Safety of the PRC (《中華人民共和國安全生產法》) (Order No. 70 of the PRC President, effective on November 1, 2002 and amended on August 27, 2009 and August 31, 2014 respectively), enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The state establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

The R&D of new drugs entails the use of some hazardous chemicals, which shall be stored and used in compliance with the applicable regulations. Some chemical materials needed for new drug research and development, such as toluene and hydrochloric acid, are hazardous chemicals. Pursuant to the Regulations on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) (Order No. 344 of the State Council, effective on March 15, 2002 and amended on March 2, 2011 and December 7, 2013, respectively), the production, storage, use, operation, and transportation of hazardous chemicals must be in accordance with the safety management regulations. The hazardous chemical units shall oblige to the safety conditions required by laws and administrative regulations and state and industry standards, establish and improve safety management rules and post safety responsibility systems, and provide safety education and legal education and occupation technical training for employees. Employees should accept such education and training, and may begin working only after qualifying the relevant assessment. Where it requires employees to have certain qualification to assume a post, an enterprise shall only designated employees having such qualification to assume the post.

During the Track Record Period, we did not have any material non-compliance with the above-mentioned laws, rules or regulations related to our business.

REGULATIONS ON FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in China are governed by the Company Law of PRC (《中華人民共和國公司法》, the "PRC Company Law"), which was adopted by the Standing Committee of the National People's Congress ("SCNPC") on December 29, 1993, implemented on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. Pursuant to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Foreign investors face some restrictions in terms of what kind of industries in which they may invest, and they shall not violate relevant provisions under the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》, the "Negative List") by participating in any industrial activity forbidden or limited by law. Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, and the Negative List which was

amended and promulgated by the MOFCOM and NDRC on June 30, 2019 and took effect on July 30, 2019. The Negative List set out in a unified manner the restrictive measures, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 13 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, none of our business is covered by the Negative List.

The Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by the Ministry of Commerce (Order No. 6 [2018] of the MOFCOM, effective on October 8, 2016, amended on July 30, 2017 and June 30, 2018 respectively), shall apply to the incorporation and change of foreign-invested enterprises which do not involve the implementation of special access administrative measures prescribed by the state. Under the aforesaid Measures, listed foreign-invested companies and companies listed on the National Equities Exchange and Quotations may handle record-filing formalities in respect of change in the basic information of investors or shares only when there is an accumulated change of more than 5% in shareholding ratio of foreign investors and a change in the holding position or relative holding position.

Regulations on Overseas Investment

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) (Order No. 3 [2014] of the MOFCOM, effective on October 6, 2014) promulgated by the MOFCOM, the MOFCOM and provincial competent commerce departments shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by approval. Outbound investment by enterprises that falls under any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) (Order No. 11 of the NDRC, effective on March 1, 2018), a domestic enterprise (the "investor") making an outbound investment shall obtain approval, conduct record-filing or other procedures applicable to outbound investment projects (the "Projects"), reporting relevant information, and cooperating with the supervision and inspection. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors, namely, non-sensitive projects involving investors' direct contribution of assets or rights and interests or provision of financing or guarantee shall be subject to record-filing. The aforementioned "sensitive project" means a project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018 to list the current sensitive industries in detail. As of the Latest Practicable Date, we do not have any "sensitive Project" involving a sensitive country or region or a sensitive industry.

REGULATIONS ON EMPLOYMENT

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (Order No. 65 of the PRC President, effective on January 1, 2008 and amended on December 28, 2012) and the Regulations on Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council, effective on September 18, 2008) provide for the establishment of labour relationship between employing entities and workers, as well as the concluding, performance, dissolution and revision of the labour contracts. To establish a labour relationship, a written labour contract shall be signed. In the event that no written labour contract is signed at the time when a labour relationship is established, such contract shall be signed within one month as of the date when the employing enterprise employs the employee.

Pursuant to Social Insurance Law of the PRC (《中華人民共和國社會保險法》), (Order No. 35 of the PRC President, effective on July 1, 2011, and amended on December 29, 2018), Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No. 259 of the State Council, effective on January 22,1999 and amended on March 24, 2019), Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》) (No. 504 [1994] the Ministry of Labour, effective on January 1, 1995), Regulations on Work-Related Injury Insurance (《工傷保險條例》) (Order No. 375 of the State Council, effective on January 1, 2004 and amended on December 20, 2010), and Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council, effective on April 3, 1999 and amended on March 24, 2002, March 24, 2019, respectively), employing entity must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. If an employing entity fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employing entity shall be imposed a fine. If the payment for social insurance premiums is not made within the stipulated period, the relevant administration department shall impose a fine. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees by the expiration of the time limit, a fine shall be imposed. If an employing entity fails to make the payment and deposit of the housing provident fund within a prescribed time limit, an application may be made to the people's court for compulsory enforcement.

REGULATIONS ON INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated by the SCNPC on March 12, 1984 which became effective on April 1, 1985 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, a patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper licence from the patent owner to use the patent expect for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

Trademark

Pursuant to the Trademark Law of the PRC (the "Trademark Law", 《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982 and revised on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, the revised provisions became effective on November 1, 2019 and the Regulation on the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated on August 3, 2002 and amended on April 29, 2014 and became effective on May 1, 2014, trademarks are registered with the Trademark Office of the State Administration of Industry and Commerce. The Trademark Law adopts the principle of "first to file" while handling trademark registration. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or pending in application for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked. Trademark licence agreements must be filed with the Trademark Office. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

REGULATIONS ON TAXATION

Enterprise Income Tax ("EIT")

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得税法》), which was promulgated by the NPC on March 16, 2007, implemented on January 1, 2008, and subsequently revised on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on April 23, 2019 (collectively, the "EIT Law"), a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay enterprise income tax on the incomes derived from China. The enterprise income tax rate shall be 10%.

Pursuant to the Administrative Measures on Accreditation of High-tech Enterprises(《高新技術企業認定管理辦法》), which was adopted by the Ministry of Science and Technology, the MOF and SAT on January 29, 2016, and took effect from January 1, 2016, qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate Upon obtaining the qualification as a high-tech enterprise, the enterprise shall complete tax reduction and exemption formalities with the tax authorities in charge pursuant to the provisions of Article 4 of these Measures.

Value-added Tax ("VAT")

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25,

1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the "VAT Law"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》(財税[2016]36號)), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

The Notice on the Adjustment to VAT Rates (《關於調整增值税税率的通知》), promulgated by the MOF and the SAT on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》(財政部、税務總局、海關總署公告2019年第39號)) Promulgated by MOF, SAT and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED STATES

Government authorities in the United States, at the federal, state and local level, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, post-approval monitoring and reporting, and import and export of pharmaceutical products. The processes for obtaining marketing approvals in the United States, along with subsequent compliance with applicable statutes and regulations and other regulatory authorities, require the expenditure of substantial time and financial resources.

In the United States, FDA governs the conduct of clinical trials of drug products in human subjects, the form and content of regulatory applications, including but not limited to, IND applications for human clinical testing and the development, approval, manufacture, safety, labeling, storage, record keeping, and marketing of drug products. Our pharmaceutical R&D services are subject to various regulatory requirements designed to ensure the quality and integrity of the testing processes and our standard operating procedures are written in accordance with regulations and guidelines appropriate to the region and the nation where they will be used.

In the United States, the industry standards for conducting preclinical laboratory testing are embodied in the Good Laboratory Practice ("GLP") and for central laboratory operations in the Clinical Laboratory Improvement Amendments of 1988 ("CLIA"). The standards of GLP are required by the FDA, by the Department of Health in the United Kingdom, and by similar regulatory authorities in other parts of the world. Our clinical services are subject to industry standards for the conduct of clinical research and development studies that are embodied in the regulations for Good Clinical Practice ("GCP"). The FDA and other regulatory authorities require that test results submitted to such authorities be based on studies conducted in accordance with GCP. As with GLP and current Good Manufacturing Practice ("cGMP"), noncompliance with GCP can result in the disqualification of data collected during the clinical trial.

GLP/CLIA

GLP regulations describe a quality system concerned with the organizational process and conditions under which nonclinical laboratory studies are planned, performed, monitored, recorded, archived and reported. The conduct of preclinical studies must comply with the statutory or regulatory requirements for GLP.

CLIA regulations are based on a complexity model, with more complicated testing subject to more stringent requirements. The three categories of testing for CLIA purposes are waived, moderate complexity, and high complexity. CLIA imposes standards for laboratory personnel, patient-test management, quality control (QC) and quality assurance (QA). The rule also imposes application procedures, fees for certification, enforcement and sanctions. Laboratories performing moderate-and high-complexity testing must undergo biennial inspections conducted by the Centers for Medicare & Medicaid Services (CMS) or a private accreditation organization. CMS considers both the volume of testing and the number of specialties being tested when determining the biennial inspection fees that laboratories will be charged. The QC requirements include control and calibration requirements applicable to both moderate and high complexity labs and are mandatory for all laboratories. The QA and patient-test management requirements refer to the comprehensive, ongoing process of monitoring and evaluating every step of the laboratory's testing process—including patient preparation and specimen collection, test analysis andtest-result reporting. Each laboratory performing non-waived testing must establish and follow written policies and procedures for a comprehensive QA program that is designed to monitor and evaluate the ongoing and overall quality of the total testing process.

GCP

GCP regulations and guidelines contain the industry standard for the conduct of clinical trials. In the United States, the FDA requires that study results and data submitted be based on trials conducted in accordance with GCP provisions, which include:

- complying with specific regulations governing the selection of qualified investigators;
- obtaining specific written commitments from the investigators;
- ensuring the protection of human subjects by verifying that Institutional Review Board or independent ethics committee approval and patient informed consent are obtained;
- instructing investigators to maintain records and reports;
- verifying drug or device accountability;
- reporting of adverse events;
- adequate monitoring of the trial for compliance with GCP requirements; and
- permitting appropriate regulatory authorities access to data for their review.

cGMP

In the United States, FDA requires that drugs and biologics, and their APIs, intended for use in clinical trials or for the commercial market be manufactured and tested in accordance with cGMP provisions and guidelines. cGMP requires that manufacturers, which include entities conducting certain laboratory testing, adequately control manufacturing operations to establish quality management systems, quality control and assurance, obtain raw materials that meet quality requirements, establish operating procedures, detect and investigate deviations, maintain laboratory quality, maintain records, samples and documentation, and ensure the integrity of manufacturing and testing data. Failure to comply with cGMP requirements can lead to the

introduction of adventitious agents or other contaminants, or to inadvertent changes in the properties or stability of products or product candidates. Manufacturers and other entities involved in the manufacture, including control and contract laboratories are required to annually register their establishments with the FDA.

Records for clinical trials must be maintained for specified periods for inspection by the FDA and other regulators. Significant noncompliance with GLP/CLIA, GCP, or cGMP requirements can result in the disqualification of data collected during the clinical trial, as well as other enforcement actions.

Safety and Health Regulation

Our United States laboratories are also subject to licensing and regulation under federal, state and local laws relating to hazard communication and employee right-to-know regulations, and the safety and health of laboratory employees. Additionally, our United States laboratories are subject to applicable federal and state laws and regulations and licensing requirements relating to the handling, storage and disposal of hazardous waste, radioactive materials and laboratory specimens, including the regulations of the Environmental Protection Agency, the Nuclear Regulatory Commission, the Department of Transportation, the National Fire Protection Agency and U.S. Drug Enforcement Administration (DEA).

In addition to the comprehensive regulation of safety in the workplace, the United States Occupational Safety and Health Administration has established extensive requirements relating to workplace safety for healthcare employers whose workers may be exposed to blood-borne pathogens such as HIV and the hepatitis B virus. These regulations, among other things, require work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations and other measures designed to minimize exposure to chemicals, and transmission of blood-borne and airborne pathogens. Furthermore, certain employees must receive initial and periodic training to ensure compliance with applicable hazardous materials regulations and health and safety guidelines.

Regulation of Controlled Substances

The use, research, testing, import and export, and manufacture of controlled substances and listed chemicals is regulated in the United States by the DEA through the Controlled Substances Act and the DEA's implementing regulations. Our laboratory in the U.S. using controlled substances for testing purposes is licensed by the DEA.

Regulation of Patient Information

In the course of providing our services, we may be provided with patient-specific information and health information which is subject to governmental regulations.

Regulations to protect the safety and privacy of human subjects who participate in or whose data are used in clinical research generally require clinical investigators to obtain affirmative informed consent from identifiable research subjects before research is undertaken.

In the United States, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) was designed to address issues related to the security and confidentiality of health information and to improve the efficiency and effectiveness of the healthcare system by facilitating the electronic exchange of information in certain financial and administrative transactions. Under the HIPAA, the United States Department of Health and Human Services has issued regulations

mandating heightened privacy and confidentiality protections for certain types of individually identifiable health information, or protected health information, when used or disclosed by healthcare providers and other HIPAA-covered entities or business associates that provide services to or perform functions on behalf of these covered entities. HIPAA regulations require an applicable permission from the patient or exemption before identifiable health information may be used for research, in addition to any required informed consent. Portions of the American Recovery and Reinvestment Act of 2009 supplemented these regulations by requiring notification to individuals when their protected health information may have been stolen or accessed by unauthorized persons. HIPAA regulations also specify standards for de-identifying health information so that information can be handled outside of the HIPAA requirements and for creating limited data sets that can be used for research purposes under less stringent HIPAA restrictions.

OVERVIEW

We are a leading fully-integrated pharmaceutical R&D service platform with global operations to accelerate drug innovation for our customers. Our history traces back to July 2004 when Dr. LOU, Mr. LOU and Ms. ZHENG co-founded Pharmaron Beijing Ltd. (康龍化成(北京)新藥技術有限公司), the predecessor of our Company, in the PRC. We were established as a limited liability company under the laws of the PRC on July 1, 2004 and were converted into a joint stock limited company under the laws of the PRC on October 27, 2016. For details of the background and experience of Dr. LOU, Mr. LOU and Ms. ZHENG, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

Throughout the years, we have invested in our people and facilities, and established a broad spectrum of pharmaceutical R&D service capabilities, evolving from a pure laboratory chemistry service provider to an end-to-end pharmaceutical R&D service platform providing integrated laboratory, clinical development and CMC services.

On January 28, 2019, A Shares of our Company were listed on the Shenzhen Stock Exchange under the stock code 300759.

MILESTONES

The following table illustrates the key milestones of our business development:

Time	Milestone
Since July 2004	We were established as a limited liability company in Beijing. Since our inception, we gradually expanded our capabilities and capacities over the years by establishing laboratory services, CMC services and clinical development services and has become a fully-integrated pharmaceutical R&D service platform.
November 2006	Pharmaron Holdings Limited, our prior business and asset holding vehicle, was incorporated for our overseas financing.
From February 2007 to October 2007	Pharmaron Holdings Limited completed our Series A financing of approximately US$5.5 million in aggregate by Legend Capital Investment Co., Ltd. (聯想投資有限公司) (currently known as Legend Capital Co., Ltd. (君聯資本管理股份有限公司)) and DCM Ventures.
June 2008	Pharmaron Holdings Limited completed our Series B financing of approximately US$22.8 million in aggregate by Avenue Capital Group, Legend Capital and DCM Ventures.
November 2009	Pharmaron Holdings Limited completed our Series B2 financing of approximately US$12 million in aggregate by Avenue Capital Group, DCM Ventures and Legend Capital.
January 2010	Pharmaron Holdings Limited completed our Series B3 financing of approximately US$14 million in aggregate by Avenue Capital Group, DCM Ventures and Legend Capital.
February 2011	Pharmaron Holdings Limited completed our Series C financing of approximately US$42.3 million in aggregate by Avenue Capital Group, GL Capital, DCM Ventures and Legend Capital.
From 2015 to 2016	We completed our financing of US$280 million led by our strategic investors CITIC M&A Fund and Legend Capital for the purposes of restructuring in connection with our A Share Offering and our future growth.
October 2016	We were converted to a joint stock company with limited liability.
November 2016	We completed our pre-A Share Offering financing of approximately RMB700 million in aggregate led by CITIC M&A Fund and Legend Capital.
January 2019	We became listed on the Shenzhen Stock Exchange.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we had 23 subsidiaries with operations in China, the United States and the United Kingdom for strategic purposes of delivering our R&D services to customers in North America, Europe, China and Japan.

The following table sets out certain information of our Company and our major subsidiaries as of the Latest Practicable Date:

Entity	Date and place of incorporation	Authorized share capital/Registered capital	Equity interest attributable to our Group	Principal activities
Our Company	July 1, 2004; PRC	RMB656,293,575	Not applicable	Laboratory and CMC services
Pharmaron Tianjin	July 16, 2008; PRC	RMB420,000,000	100%	CMC service
Pharmaron Ningbo Tech	January 12, 2015; PRC	RMB325,000,000	100%(1)	Laboratory and CMC services
Pharmaron TSP	January 11, 2006; PRC	RMB138,514,186.18	100%	Laboratory service
Pharmaron, Inc.	December 22, 2006; US	100 ordinary shares	100%(2)	Business development
Pharmaron HK International	December 31, 2015; Hong Kong	10,000 ordinary shares, par value USD1.00 each	100%	Investment holding(3)

Notes:

(1) As of the Latest Practicable Date, Pharmaron Ningbo Tech was held as to 61.54% by our Company and 38.46% by Pharmaron Ningbo, our wholly-owned subsidiary.

(2) As of the Latest Practicable Date, Pharmaron, Inc. was held as to 100% by Pharmaron US, Inc., our wholly-owned subsidiary.

(3) Pharmaron HK International serves as our holding company for our overseas business operation and overseas investment. It is the sole shareholder of our overseas entities such as Pharmaron HK Investment, Pharmaron ABS, Pharmaron UK and Pharmaron Biologics HK, and is the majority shareholder of Pharmaron CPC.

Pharmaron Tianjin

Pharmaron Tianjin was established by Pharmaron (Hong Kong) Limited ("Pharmaron (HK)"), a wholly-owned subsidiary of Pharmaron Holdings Limited, in the PRC on July 16, 2008 with an initial registered capital of EUR6,400,000. During the restructuring in connection with our A Share Offering, our Company acquired 100% equity interest in Pharmaron Tianjin from Pharmaron (HK) in October 2015. The registered capital of Pharmaron Tianjin has been increased to RMB327,625,146.21 on November 16, 2016, RMB400,000,000 on September 9, 2019, and further increased to RMB420,000,000 since October 28, 2019.

Pharmaron Ningbo Tech

Pharmaron Ningbo Tech was established in January 2015 with a registered capital of RMB125,000,000. Pharmaron Ningbo acquired 100% equity interest in Pharmaron Ningbo Tech on May 12, 2017. Please refer to the paragraph headed "—Acquisitions of Subsidiaries and Major Assets" in this section for details of this acquisition. On August 16, 2019, the registered capital of Pharmaron Ningbo Tech was increased to RMB325,000,000, and our Company subscribed for the increased registered capital of RMB200,000,000 at par value.

Pharmaron TSP

Pharmaron TSP was established by Vital Bridge Inc. ("Vital Bridge") in the PRC on January 11, 2006 with an initial registered capital of USD3,500,000. In December 2009, Pharmaron Holdings Limited indirectly acquired Pharmaron TSP by purchasing the entire equity interests in Vital Bridge. During the restructuring in connection with our A Share Offering, we acquired 100% equity interest in Pharmaron TSP from Vital Bridge in September 2015. The registered capital of Pharmaron TSP has been increased to RMB138,514,186.18 since January 28, 2016.

Pharmaron, Inc.

Pharmaron, Inc. was incorporated on December 22, 2006 under the laws of Kentucky, USA. Upon its incorporation, Pharmaron, Inc. issued 100 ordinary shares to Pharmaron Holdings Limited. During the restructuring in connection with our A Share Offering, Pharmaron US, Inc. acquired 100% equity interest in Pharmaron, Inc. from Pharmaron Holdings Limited in September 2015.

Pharmaron HK International

Pharmaron HK International was incorporated on December 31, 2015 under the laws of Hong Kong. Upon its incorporation, Pharmaron HK International issued 10,000 ordinary shares to our Company, representing the total issued shares of Pharmaron HK International. Pharmaron HK International serves as our holding company for our overseas business operation and overseas investment. It is the sole shareholder of our overseas entities such as Pharmaron HK Investment, Pharmaron ABS, Pharmaron UK and Pharmaron Biologics HK, and is the major shareholder of Pharmaron CPC.

CORPORATE DEVELOPMENT

The following sets forth the corporate history and shareholding changes of our Company.

Incorporation of Our Company

Our predecessor, formerly known as Pharmaron Beijing Ltd. (康龍化成(北京)新藥技術有限公司), was established on July 1, 2004 under the laws of the PRC with a registered capital of RMB3,000,000, among which each of Beijing Kangbi Drug Technology Co., Ltd. (北京康比醫藥技術有限公司) ("Beijing Kangbi"), a company incorporated by Ms. ZHANG, Mr. LOU and Ms. ZHENG, and Dr. LOU contributed 50% of the registered capital.

Subsequent Capital Increase and Equity Transfer

Beijing Kangbi and Dr. LOU increased the registered capital of our Company to RMB5,000,000 in August 2005 and further to RMB8,000,000 in April 2006 on a pro rata basis.

In November 2006, Pharmaron Holdings Limited was incorporated in the Cayman Islands by Dr. LOU. In March 2007, Beijing Kangbi and Dr. LOU transferred their entire equity interests in our Company to Pharmaron Holdings Limited in consideration of US$1,000,000 in aggregate, which was substantially equal to the then registered capital amount of our Company, for our overseas financing. After such transaction, Pharmaron Holdings Limited was the holding vehicle of our business and assets for overseas financing purposes and was owned by our Founders.

Pharmaron Holdings Limited completed five rounds of financings from 2007 to 2011 to raise proceeds of more than US$96,000,000 to expand our business. Pharmaron Holdings Limited increased our registered capital to RMB33,000,000 in April 2007, RMB90,000,000 in November 2007, and RMB125,000,000 in June 2010.

Restructuring for our A Share Offering

We carried out the restructuring for our A Share Offering from 2015 to 2016, which included the following principal steps:

Business Restructuring

During the intra-group business restructuring for our A Share Offering, from July 2015 to October 2015, we acquired the entire equity interest of Pharmaron TSP from Vital Bridge at a consideration of approximately US$4,870,000, Pharmaron Tianjin from Pharmaron (HK) at a consideration of approximately EUR8,800,000, Pharmaron Xi'an and Pharmaron Ningbo from Pharmaron (Hong Kong) Drug R&D Services Limited at a consideration of approximately US$10,000,000 and RMB21,250,000, respectively, and Pharmaron, Inc. from Pharmaron Holdings Limited through our wholly-owned subsidiary Pharmaron US, Inc. at a consideration of approximately US$6,000,000. The consideration of the various acquisitions as mentioned above was determined with reference to the then fair market value of these subsidiaries. Following the acquisition of our subsidiaries directly or indirectly from Pharmaron Holdings Limited, we own directly or indirectly all of the operating subsidiaries of our Group.

Equity Restructuring

In October 2015, the registered capital of our Company was increased from RMB125,000,000 to RMB161,205,527, amongst the increased registered capital of RMB36,205,527, Mr. LOU, Ningbo Longtaikang Investment Management Co., Ltd. (寧波龍泰康投資管理有限公司) ("Ningbo Longtaikang"), a company wholly-owned by Mr. LOU, the five limited partnerships owned by our employees for incentive purposes and controlled by Ms. ZHENG in her capacity as the sole general partner of these partnerships, namely, Beijing Longtaizhongxin Investment Management Partnership (Limited Partnership) (北京龍泰眾信投資管理企業(有限合夥)) ("Beijing Longtaizhongxin"), Beijing Longtaihuixin Investment Management Partnership (Limited Partnership) (北京龍泰匯信投資管理企業(有限合夥)) ("Beijing Longtaihuixin"), Beijing Longtaidingsheng Investment Management Partnership (Limited Partnership) (北京龍泰鼎盛投資管理企業(有限合夥)) ("Beijing Longtaidingsheng"), Beijing Longtaihuisheng Investment Management Partnership (Limited Partnership) (北京龍泰匯盛投資管理企業(有限合夥)) ("Beijing Longtaihuisheng"), Beijing Longtaizhongsheng Investment Management Partnership (Limited Partnership) (北京龍泰眾盛投資管理企業(有限合夥)) ("Beijing Longtaizhongsheng"), and GL PHL Investment Limited ("GL"), a prior investor of Pharmaron Holdings Limited and an Independent Third Party, paid RMB11,653,815, RMB11,653,814, RMB1,020,317, RMB1,238,728, RMB1,238,728, RMB1,238,728, RMB1,238,728 and RMB6,922,669, respectively, to our Company to subscribe for the same amount of the increased registered capital.

In January 2016, the registered capital of our Company was increased from RMB161,205,527 to RMB200,536,422, amongst the increased registered capital of RMB39,330,895, Shenzhen Xinzhong Kangcheng Investment Partnership (Limited Partnership) (深圳市信中康成投資合夥企業(有限合夥)) ("Shenzhen Xinzhong Kangcheng"), Tianjin Junlian Wenda Equity Investment Partnership (Limited Partnership) (天津君聯聞達股權投資合夥企業(有限合夥)) ("Junlian Wenda"), Beijing Junlian Maolin Equity Investment Partnership (Limited Partnership) (北京君聯茂林股權投資合夥企業(有限合夥)) ("Junlian Maolin"), Beijing Jinpu Ruida

Technology Center (General Partnership) (北京金普瑞達科技中心(普通合夥)) ("Beijing Jinpu Ruida") and Yu Yuejiang subscribed for RMB22,000,932, RMB4,539,778, RMB1,060,696, RMB6,053,930 and RMB5,675,559, at a consideration of RMB290,732,574, RMB59,991,156, RMB14,016,625, RMB80,000,000 and RMB75,000,000, respectively. Such considerations were determined on an arm's length basis with reference to the then valuation of our Company. The premium amount of RMB480,409,460 was credited to the capital reserve of our Company.

In January 2016, Pharmaron Holdings Limited transferred its registered capital of our Company of RMB44,592,294, RMB27,848,746, RMB6,506,716 and RMB4,691,795 to Shenzhen Xinzhong Kangcheng, Junlian Wenda, Junlian Maolin and Hartross Limited ("Hartross") at a consideration of RMB589,267,426, RMB368,008,844, RMB85,983,375 and RMB62,000,000, respectively. Such considerations were determined on an arm's length basis with reference to the then valuation of our Company.

In February 2016, the registered capital of our Company was increased from RMB200,536,422 to RMB211,887,540, amongst the increased registered capital of RMB11,351,118, Junlian Wenda and Wish Bloom Limited ("Wish Bloom") subscribed for RMB3,783,706 and RMB7,567,412 at a consideration of RMB50,000,000 and RMB100,000,000, respectively. Such considerations were determined on an arm's length basis with reference to the then valuation of our Company. The premium amount of RMB138,648,882 was credited to the capital reserve of our Company.

Upon completion of the above-mentioned capital increase and equity transfers, the shareholding structure of our Company was as follows:

Shareholders	Registered Capital	Shareholding Percentage
	(RMB)	
Pharmaron Holdings Limited	41,360,449	19.52%
Mr. LOU	11,653,815	5.50%
Ningbo Longtaikang	11,653,814	5.50%
Beijing Longtaizhongxin	1,020,317	0.48%
Beijing Longtaihuixin	1,238,728	0.59%
Beijing Longtaidingsheng	1,238,728	0.59%
Beijing Longtaihuisheng	1,238,728	0.59%
Beijing Longtaizhongsheng	1,238,728	0.59%
GL	6,922,669	3.27%
Junlian Wenda	36,172,230	17.07%
Junlian Maolin	7,567,412	3.57%
Shenzhen Xinzhong Kangcheng	66,593,226	31.43%
Beijing Jinpu Ruida	6,053,930	2.86%
Yu Yuejiang	5,675,559	2.68%
Hartross	4,691,795	2.21%
Wish Bloom	7,567,412	3.57%
Total	211,887,540	100.00%

During the restructuring for our A Share Offering, from October 2015 to January 2016, the then shareholders of Pharmaron Holdings Limited (except Dr. LOU) exited their investments in Pharmaron Holdings Limited through the repurchase of shares by Pharmaron Holdings Limited and Dr. LOU became the sole shareholder of Pharmaron Holdings Limited after the repurchase. To recognize and give effect to prior employee incentive arrangements, Pharmaron Holdings Limited issued and allotted 2,640,000 shares to 64 employees and consultants of our Group in December 2016. As of the Latest Practicable Date, Pharmaron Holdings Limited was held as to 65.11% by Dr. LOU and 34.89% by such employees and consultants of our Group.

Joint-stock Reform and Follow-on Capital Increase

In July 2016, the board of directors of our predecessor approved our conversion into a joint stock limited liability company for the purposes of our A Share Offering. In October 2016, all of the then shareholders of our Company, being our promoters, carried out our joint-stock reform. In accordance with the audit report dated June 30, 2016 issued by an independent audit firm, the audited net assets of our Company as of February 29, 2016 was RMB938,500,686.29, among which RMB500,000,000 had been converted to 500,000,000 Shares of RMB1.0 par value each and issued to the then Shareholders of our Company in proportion to their capital contribution to our Company. The remaining amount of RMB438,500,686.29 was converted to capital reserve. Upon the completion of registration with the Beijing Administration for Industry and Commerce (北京市工商行政管理局) on October 27, 2016, our Company was converted into a joint stock company with limited liability, and renamed as Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司).

Upon completion of the joint-stock reform, the shareholding structure of our Company was as follows:

Shareholders	Number of Shares	Shareholding Percentage
Pharmaron Holdings Limited	97,600,003	19.52%
Mr. LOU	27,500,000	5.50%
Ningbo Longtaikang	27,500,000	5.50%
Beijing Longtaizhongxin	2,407,683	0.48%
Beijing Longtaihuixin	2,923,079	0.59%
Beijing Longtaidingsheng	2,923,079	0.59%
Beijing Longtaihuisheng	2,923,079	0.59%
Beijing Longtaizhongsheng	2,923,079	0.59%
GL	16,335,715	3.27%
Junlian Wenda	85,357,143	17.07%
Junlian Maolin	17,857,143	3.57%
Shenzhen Xinzhong Kangcheng	157,142,855	31.43%
Beijing Jinpu Ruida	14,285,715	2.86%
Yu Yuejiang	13,392,857	2.68%
Hartross	11,071,427	2.21%
Wish Bloom	17,857,143	3.57%
Total	500,000,000	100.00%

In November 2016, our Company issued and allotted 28,494,266 Shares to Shenzhen Xinzhong Longcheng Investment Partnership (Limited Partnership) (深圳市信中龍成投資合夥企業) ("Shenzhen Xinzhong Longcheng"), 20,723,103 Shares to Beijing Duotai Investment Management Co., Ltd. (北京多泰投資管理有限公司) ("Beijing Duotai"), 18,132,715 Shares to Junlian Wenda, 12,951,939 Shares to Hallow Bright Limited ("Hallow"), 6,475,970 Shares to C&D No.6 Limited ("C&D") and 3,885,582 Shares to Hartross, all at a subscription price of RMB7.72 per Share. Among the aggregate consideration of approximately RMB700,000,000 in exchange for these newly-issued shares, RMB90,663,575 was used as the register capital of our Company and the remaining amount was kept as our capital reserve. The consideration for the capital increase was determined on an arm's length basis with reference to the then valuation of our Company.

Upon completion of the subscription of Shares, the shareholding structure of our Company was as follows:

Shareholders	Number of Shares	Shareholding Percentage
Pharmaron Holdings Limited	97,600,003	16.52%
Mr. LOU	27,500,000	4.66%
Ningbo Longtaikang	27,500,000	4.66%
Beijing Longtaizhongxin	2,407,683	0.41%
Beijing Longtaihuixin	2,923,079	0.49%
Beijing Longtaidingsheng	2,923,079	0.49%
Beijing Longtaihuisheng	2,923,079	0.49%
Beijing Longtaizhongsheng	2,923,079	0.49%
GL	16,335,715	2.77%
Junlian Wenda	103,489,858	17.52%
Junlian Maolin	17,857,143	3.02%
C&D	6,475,970	1.10%
Shenzhen Xinzhong Kangcheng	157,142,855	26.6%
Shenzhen Xinzhong Longcheng	28,494,266	4.82%
Beijing Jinpu Ruida	14,285,715	2.42%
Yu Yuejiang	13,392,857	2.27%
Hartross	14,957,009	2.53%
Wish Bloom	17,857,143	3.02%
Beijing Duotai	20,723,103	3.51%
Hallow	12,951,939	2.19%
Total	590,663,575	100.00%

Listing on the Shenzhen Stock Exchange

With the approval of the CSRC, we completed our initial public offering of 65,630,000 A Shares and became listed on the Shenzhen Stock Exchange (stock code: 300759) on January 28, 2019 and raised approximately RMB432.9 million from the A Share Offering after deducting the underwriting commissions and offering-related expenses. As of June 30, 2019, we had used approximately RMB432.9 million in the construction of our Ningbo facility in accordance with the use of proceeds as set forth in the prospectus for the A Share Offering, and the remaining amount of proceeds from the A Share Offering was RMB121,769.40.

Upon completion of the A Share Offering, our Company had a registered capital of RMB656,293,575, divided into 656,293,575 A Shares, among which 90.0% A Shares and 10.0% A Shares were held by our existing shareholders immediately prior to such initial public offering and public A Shareholders, respectively. Upon completion of the Global Offering and assuming the Over-allotment Option is not exercised, it is expected that the shareholding of holders of the A Shares will be diluted by 15%.

To the best knowledge of the Directors, we have been operating in compliance with the Shenzhen Stock Exchange Listing Rules in all material aspects since our A Share Offering. As of the Latest Practicable Date, we had not been informed by the Shenzhen Stock Exchange of any breach of its listing rules.

Our PRC legal adviser has confirmed that the above-mentioned capital increases, equity transfers, joint-stock reform, issue and allotment of Shares and our initial public offering and listing of our A Shares have been properly and legally completed and all requisite regulatory approvals have been obtained in accordance with the PRC laws and regulations.

ACQUISITIONS OF SUBSIDIARIES AND MAJOR ASSETS AND STRATEGIC INVESTMENT

During the Track Record Period, we completed seven acquisitions of subsidiaries and major assets and one strategic investment to further expand our fully integrated end-to-end services strategy and there has been no disposal of our subsidiaries or major assets.

Acquisition of Subsidiaries and Major Assets

The following table sets forth details of our acquisition of subsidiaries during the Track Record Period.

Date of completion	Equity interests acquired	Principal business activities of the targets	Transferor	Amount of consideration
February 2, 2016 . . .	100% equity interest of Pharmaron UK	Laboratory, CMC and clinical development services	QBS Holdings LLC, Roger Burdett, Gordon Cameron, Mark Egerton, Stephen Pleasance, and Stephen Lewinton, each being an Independent Third Party	GBP10,418,399.98
January 10, 2017. . .	100% equity interest of Pharmaron ABS	Clinical development services	AMS Sciences Limited, an Independent Third Party	USD5,035,353
March 10, 2017. . . .	80% equity interest of Pharmaron CPC	Clinical development services	Shin Nippon Biomedical Laboratories, Ltd., an Independent Third Party	USD25,457,543.36
May 12, 2017	100% equity interest of Pharmaron Ningbo Tech	Asset holding[1]	Beijing Kangtaibo Technology Development Co., Ltd. (北京康泰博科技發展有限公司) ("Beijing Kangtaibo") and Hangzhou Hongna Investment Co., Ltd. (杭州宏納投資有限公司) ("Hangzhou Hongna"), both of which are our affiliates. Beijing Kangtaibo is controlled by Ms. ZHENG and her family relatives, and Hangzhou Hongna is owned as to 7.14% by a family relative of Mr. LOU and 57.14% by Yu Yuejiang.	RMB150,000,000
May 14, 2019[2]. . . .	55.56% equity interests of CR Medicon[2]	Clinical development services	Not applicable	RMB150,000,000

Notes:

(1) The assets mainly include land use rights to three parcels of land and real estate properties located in the Ningbo Hangzhou Bay New Zone.

(2) We subscribed for the increased registered capital of CR Medicon of US$1,800,000 in consideration of RMB30,000,000 in July 2018, US$2,700,000 in consideration of RMB45,000,000 in March 2019, and US$3,000,000 in consideration of RMB75,000,000 in May 2019. As a result of these capital increase transactions, we acquired 55.56% of the equity interests in CR Medicon and has become its controlling shareholder since May 14, 2019. CR Medicon is a CRO providing clinical development services based in Nanjing. The minority shareholders of CR Medicon are Yu Wu (23.04%), Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership) (南京賽諾邁康企業管理合夥企業(有限合夥)) (14.73%) and Nanjing Xiya Enterprise Management Partnership (Limited Partnership) (南京希雅企業管理合夥企業(有限合夥)) (6.67%), each being an Independent Third Party.

The following table sets forth details of our acquisition of major assets during the Track Record Period.

Date of completion	Major assets acquired	Transferor	Amount of consideration
August 17, 2017	Real estate properties located at 6 Taihe Road, Beijing Economic and Technological Development Area	Beijing Kangtaibo	RMB968,390,000
January 31, 2017	Real estate properties and equipment located at Hertford Road, Hoddesdon, Hertfordshire, EN11 9BU	Merck Sharpe & Dohme Limited, an Independent Third Party	GBP20,000,000

Strategic Investment in LinkStart

In May 2019, we acquired the registered capital of LinkStart of RMB1,200,000 from Liu Yang and Qiu Shuangjun in consideration of RMB120,000,000 in aggregate. As a result of the equity transfer, we acquired 48% of the equity interests in LinkStart. The other shareholders of LinkStart include Liu Yang (22.4%), Qiu Shuangjun (1.6%), Beijing Deshu Enterprise Management Center (Limited Partnership) (8%), and Yu Yuejiang (20%), each being an Independent Third Party. LinkStart is our SMO strategic partner.

The consideration of the various acquisitions and strategic investment was determined based on arm's length negotiations among the parties, with reference to, among others, (i) past financial performance of the target; (ii) future earning capacity of the target; (iii) appraised value of the target assets, and/or (iv) publicly available data from transactions involving comparable companies within the same or similar industry as the target. For further information on these transactions, please refer to Note 19 to the Accountants' Report of our Company in Appendix I to this prospectus. The transactions have been properly and legally completed and settled with all applicable regulatory approvals having been obtained. For each of the transactions, no contingent liability was assumed or retained by our Company.

OUR EMPLOYEE INCENTIVE SCHEME

For the purposes of attracting and retaining talents and motivating our employees, on August 15, 2019, our Shareholders passed a resolution to issue up to 5,651,359 A Shares under the A Share Incentive Scheme, including 4,521,087 Restricted A Shares at a subscription price of RMB 17.85 per A Shares and 1,130,272 A Shares reserved for future option grants. As of the Latest Practicable Date, 4,077,387 Restricted A Shares had been granted, representing 0.62% of the share capital of our Company as of the Latest Practicable Date, while the other Restricted A Shares granted were not taken up. These Restricted A Shares have a vesting period of no more than four years and the transfer restrictions on such Restricted A Shares shall be released over a three year period, with 40%, 30% and 30% of the awards releasing on the first, second and third anniversary date of the A Shares registration date, respectively, and upon relevant annual performance conditions being met.

For details, please refer to Appendix VII to this prospectus.

OUR FOUNDERS AND THEIR VOTING ARRANGEMENT

Dr. LOU, Mr. LOU and Ms. ZHENG are our Founders and our executive Directors. Dr. LOU and Mr. LOU are brothers, and Mr. LOU and Ms. ZHENG are spouses. They have worked together as a team for over 15 years and have established a strong long-term business relationship. For details of their biographies and work experience, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus. Immediately upon the completion of the Global Offering and assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, the Over-allotment Option is not exercised, and no options are granted or exercised under the A Share Incentive Scheme, Dr. LOU, Mr. LOU and Ms. ZHENG will collectively control approximately 24.12% voting power at general meetings of shareholders of our Company. Each of Dr. LOU, Mr. LOU and Ms. ZHENG has entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement), pursuant to which each of them shall reach consensus on any proposal presented to the Board and the general meeting of the shareholders of our Company for voting. In the event they fail to reach such consensus, each of Mr. LOU and Ms. ZHENG shall exercise their respective voting rights in accordance with Dr. LOU's instruction.

REASONS FOR LISTING ON THE STOCK EXCHANGE

Our Directors believe that the Listing will be in the interests of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) the Listing will provide an additional fund raising platform for our Company and give us the access to a wider pool of finance for our future expansion. The Stock Exchange is a compelling listing and fundraising venue for us to attract potential international investors and business partners.

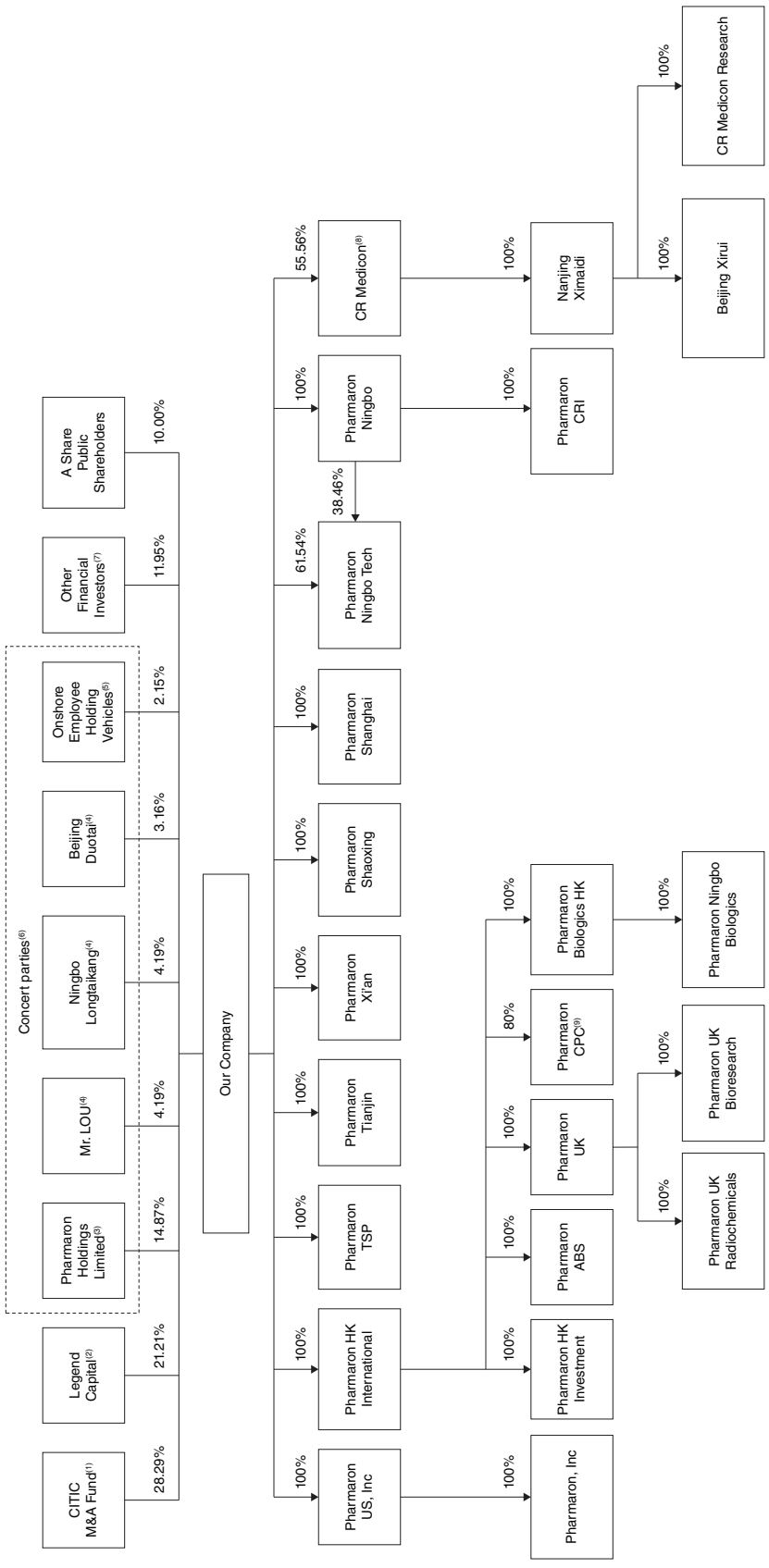
(ii) a listing status on the Stock Exchange will further enhance our image as fully-integrated pharmaceutical R&D service platform with global operations and thus, enhance our ability to broaden customer base, further advance our international strategies, and recruit, motivate and retain talents to support our long-term and sustainable growth.

CORPORATE STRUCTURE

As at the Latest Practicable Date, we had issued 656,293,575 A Shares and had a registered share capital of RMB656,293,575.

As at the Latest Practicable Date

The following chart sets forth our corporate structure as at the Latest Practicable Date:



Notes:

(1) Shenzhen Xinzhong Kangcheng owns approximately 23.94% and Shenzhen Xinzhong Longcheng owns approximately 4.34% of the equity interests in our Company. Each of them is a limited liability partnership established under the PRC law. CITIC M&A Fund is the general partner of these partnerships.

(2) Each of Junlian Wenda, Junlian Maolin and Wish Bloom owns approximately 15.77%, 2.72% and 2.72% of the equity interests in our Company. Each of Junlian Wenda and Junlian Maolin is a limited partnership established under the PRC law. Beijing Legend Tongdao Investment Management Partnership (Limited Partnership) (北京君聯同道投資管理合夥企業(有限合夥)) is the general partnership of these partnerships. Wish Bloom is affiliated with these partnerships.

(3) Pharmaron Holdings Limited is an exempted company incorporated in the Cayman Islands. As at the Latest Practicable Date, Dr. LOU owns 65.11% of the equity interests in Pharmaron Holdings Limited and is the sole director of this company.

(4) Ningbo Longtaikang is a limited liability company incorporated in the PRC. Mr. LOU is the sole shareholder and the legal representative of this company. Beijing Duotai is a limited liability company incorporated in the PRC. Ms. ZHENG is the sole shareholder and the legal representative of this company. Ms. ZHENG is Mr. LOU's spouse.

(5) The Onshore Employee Holding Vehicles include five limited partnerships established under the PRC law that together own 2.15% of our Company, including Beijing Longtaizhongsheng as to 0.45%, Beijing Longtaihuixin as to 0.45%, Beijing Longtaidingsheng as to 0.45%, Beijing Longtaihuisheng as to 0.45%, and Beijing Longtaizhongxin as to 0.37%. Ms. ZHENG is the sole general partner of each of these five limited partnerships and owns 16.90% of the partnership interests in Beijing Longtaizhongsheng, 13.79% of the partnership interests in Beijing Longtaihuixin, 13.79% of the partnership interests in Beijing Longtaidingsheng, 13.79% of the partnership interests in Beijing Longtaihuisheng, and 99.00% of the partnership interests in Beijing Longtaizhongxin. The limited partners of Beijing Longtaizhongsheng are 27 employees of our Company or our subsidiaries who collectively own 83.10% of the partnership interests. The limited partners of Beijing Longtaihuixin are 21 employees of our Company or our subsidiaries who collectively own 86.21% of the partnership interests. The limited partners of Beijing Longtaidingsheng are 16 employees of our Company or our subsidiaries who collectively own 86.21% of the partnership interests. The limited partners of Beijing Longtaihuisheng are 22 employees of our Company or our subsidiaries who collectively own 86.21% of the partnership interests. The sole limited partner of Beijing Longtaizhongxin is an employee of our Company who owns 1% of the partnership interests.

(6) Each of Dr. LOU, Mr. LOU and Ms. ZHENG has entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement), pursuant to which each of them shall reach consensus on any proposal presented to the Board and the general meeting of the shareholders of our Company for voting. In the event they fail to reach such consensus, each of Mr. LOU and Ms. ZHENG shall exercise their respective voting rights in accordance with Dr. LOU's instruction.

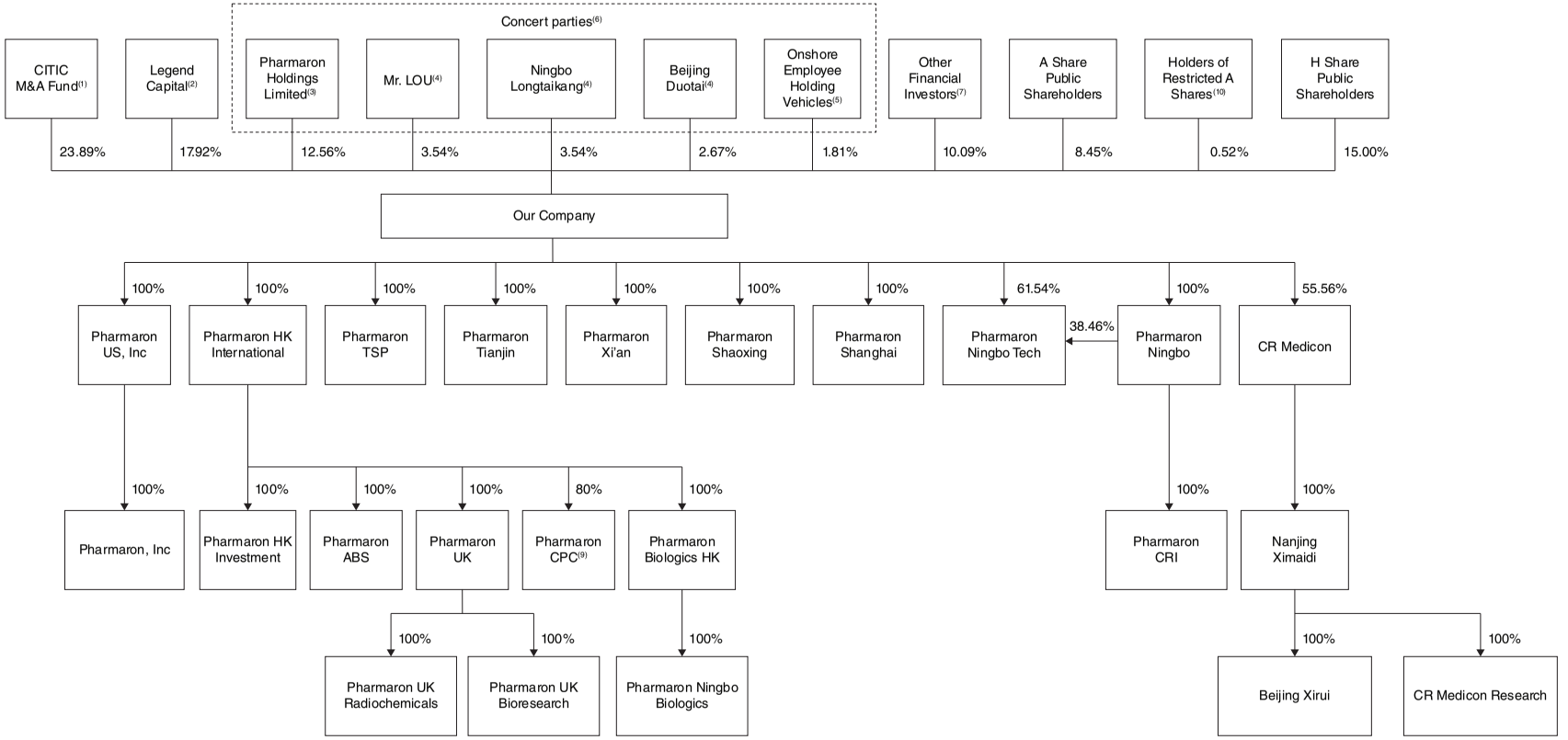
(7) The financial investors include six financial investors that together own 11.95% of our Company, including GL as to 2.49%, Hartross as to 2.28%, Beijing Jinpu Ruida as to 2.18%, Yu Yuejiang as to 2.04%, Hallow as to 1.97%, and C&D as to 0.99%. These financial investors are Independent Third Parties and independent to each other.

(8) The minority shareholders of CR Medicon are Yu Wu (23.04%), Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership) (南京賽諾邁康企業管理合夥企業(有限合夥)) (14.73%) and Nanjing Xiya Enterprise Management Partnership (Limited Partnership) (南京希雅企業管理合夥企業(有限合夥)) (6.67%). Yu Wu, Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership), and Nanjing Xiya Enterprise Management Partnership (Limited Partnership) are Independent Third Parties.

(9) The minority shareholder of Pharmaron CPC is Shin Nippon Biomedical Laboratories, Ltd., which is an Independent Third Party.

Immediately Following Completion of the Global Offering

The following chart sets forth our corporate structure immediately following completion of the Global Offering, assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, the Over-allotment Option is not exercised and no options are granted or exercised under the A Share Incentive Scheme.



Notes:

(1) Shenzhen Xinzhong Kangcheng owns approximately 20.23% and Shenzhen Xinzhong Longcheng owns approximately 3.67% of the equity interests in our Company. Each of them is a limited liability partnership established under the PRC law. CITIC M&A Fund is the general partner of these partnerships.

(2) Each of Junlian Wenda, Junlian Maolin and Wish Bloom owns approximately 13.32%, 2.30%, and 2.30% of the equity interests in our Company. Each of Junlian Wenda and Junlian Maolin is a limited partnership established under the PRC law. Beijing Legend Tongdao Investment Management Partnership (Limited Partnership) (北京君聯同道投資管理合夥企業(有限合夥)) is the general partnership of these partnerships. Wish Bloom is affiliated with these partnerships.

(3) Pharmaron Holdings Limited is an exempted company incorporated in the Cayman Islands. As at the Latest Practicable Date, Dr. LOU owns 65.11% of the equity interests in Pharmaron Holdings Limited and is the sole director of this company.

(4) Ningbo Longtaikang is a limited liability company incorporated in the PRC. Mr. LOU is the sole shareholder and the legal representative of this company. Beijing Duotai is a limited liability company incorporated in the PRC. Ms. ZHENG is the sole shareholder and the legal representative of this company. Ms. ZHENG is Mr. LOU's spouse.

(5) The Onshore Employee Holding Vehicles include five limited partnerships established under the PRC law that together own 1.81% of our Company, including Beijing Longtaizhongsheng as to 0.38%, Beijing Longtaihuixin as to 0.38%, Beijing Longtaidingsheng as to 0.38%, Beijing Longtaihuisheng as to 0.38%, and Beijing Longtaizhongxin as to 0.31%. Ms. ZHENG is the sole general partner of each of these five limited partnerships and owns 16.90% of the partnership interests in Beijing Longtaizhongsheng, 13.79% of the partnership interests in Beijing Longtaihuixin, 13.79% of the partnership interests in Beijing Longtaidingsheng, 13.79% of the partnership interests in Beijing Longtaihuisheng, and 99.00% of the partnership interests in Beijing Longtaizhongxin. The limited partners of Beijing Longtaizhongsheng are 27 employees of our Company or our subsidiaries who collectively own 83.10% of the partnership interests. The limited partners of Beijing Longtaihuixin are 21 employees of our Company or our subsidiaries who collectively own 86.21% of the partnership interests. The limited partners of Beijing Longtaidingsheng are 16 employees of our Company or our subsidiaries who collectively own 86.21% of the partnership interests. The limited partners of Beijing Longtaihuisheng are 22 employees of our Company or our subsidiaries who collectively own 86.21% of the partnership interests. The sole limited partner of Beijing Longtaizhongxin is an employee of our Company who owns 1% of the partnership interests.

(6) Each of Dr. LOU, Mr. LOU and Ms. ZHENG has entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement), pursuant to which each of them shall reach consensus on any proposal presented to the Board and the general meeting of the shareholders of our Company for voting. In the event they fail to reach such consensus, each of Mr. LOU and Ms. ZHENG shall exercise their respective voting rights in accordance with Dr. LOU's instruction.

(7) The financial investors include six financial investors that together own 10.09% of our Company, including GL as to 2.10%, Hartross as to 1.93%, Beijing Jinpu Ruida as to 1.84%, Yu Yuejiang as to 1.72%, Hallow as to 1.67%, and C&D as to 0.83%. These financial investors are Independent Third Parties and independent to each other.

(8) The minority shareholders of CR Medicon are Yu Wu (23.04%), Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership) (南京賽諾邁康企業管理合夥企業(有限合夥)) (14.73%) and Nanjing Xiya Enterprise Management Partnership (Limited Partnership) (南京希雅企業管理合夥企業(有限合夥)) (6.67%). Yu Wu, Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership), and Nanjing Xiya Enterprise Management Partnership (Limited Partnership) are Independent Third Parties.

(9) The minority shareholder of Pharmaron CPC is Shin Nippon Biomedical Laboratories, Ltd., which is an Independent Third Party.

(10) The holders of Restricted A Shares are employees of our Group. The ownership percentage is based on the assumption that the issuance and registration procedures for the 4,077,387 Restricted A Shares granted by our Company and taken up by the relevant eligible employees are completed. For details, please refer to Appendix VII to this prospectus.

OVERVIEW

We are a leading fully-integrated pharmaceutical R&D service platform with global operations to accelerate drug innovation for our customers. We are the second largest pharmaceutical R&D service platform in China and one of the top three drug discovery service providers globally in terms of total revenue in 2018, according to Frost & Sullivan. We have established our leadership in drug discovery, pre-clinical and early clinical-stage development, while we have also been expanding our capabilities downstream to late clinical-stage development and commercial manufacturing. In expanding along the pharmaceutical R&D process, we have established expertise in all major R&D functions to deliver key milestones in each R&D stage, thereby enabling our customers to conduct their R&D programs in an accelerated manner.

As a leading drug discovery pharmaceutical R&D service provider, we have accumulated profound scientific insights on molecules and built customers' trust since early stage of their innovative drug research and development. As such, when our customers further develop their R&D programs to the preclinical and clinical development stages, we are in the unique position to become their partner of choice in their subsequent R&D programs. In order to meet our customers' needs for R&D services, we naturally expanded our service offerings into clinical development and CMC services and became a fully integrated service provider. In 2016 and 2017, we further expanded our service offerings and strengthened our technology platforms through acquisitions in the U.S. and the U.K. With our successful integration of these acquired subsidiaries and continued development of our technology capabilities, our well-established pharmaceutical R&D service platform provides integrated laboratory, clinical development and CMC services to our customers beyond service and geographic boundaries. Our integrated solutions and profound understanding of customers' needs further enable us to provide customized pharmaceutical R&D services.

Our global presence and world-class technical capabilities allow us to combine our technical expertise and efficient services for our customers. According to Frost & Sullivan, we are the only pharmaceutical R&D service provider that offers integrated pharmaceutical R&D solutions that combine radioisotope based compound synthesis-clinical-analysis techniques with our AMS isotope analysis technologies. In addition, our experience to conduct regulatory filings in various jurisdictions and our total solution approach enable our customers to file investigational new drug (IND) applications for their drug candidates in China, the U.S. or Europe in parallel and better support them when they enter into the overseas markets, which provides greater flexibility and efficiency in their business development strategies.

We have a large, diverse and loyal customer base. As of June 30, 2019, we had an aggregate of over 1,000 customers, which included all of the top 20 global pharmaceutical companies that contributed to 31.3% of our revenue in 2018, and many reputable biotech companies. In 2016, 2017, 2018, the six months ended June 30, 2019 and the nine months ended September 30, 2019, we provided pharmaceutical R&D services to 623, 767, 846, 780 and 937 customers, respectively. We are also a partner of choice of fast-growing start-ups and virtual biotech companies. Our loyal and growing customer base allows us to expand to new services along the drug discovery and development processes, as our existing customers' projects progress further. Horizontally, we are able to cross-sell our services of different scientific functions at a particular drug discovery or development stage to them, while vertically, our services cover their needs in different drug discovery and/or development stages. Our strong execution capabilities and quality customer services are widely recognized by our customers, which increases our customer stickiness and enables us to develop long term cooperation/partner relationship with them.

We are devoted to providing our customers with world-class pharmaceutical R&D services. Since our inception, our services and facilities have passed over 140 customer audits and inspections by regulatory authorities like the FDA and NMPA, which not only validates our technical capabilities but also creates a virtuous cycle to further enhance our service quality. In addition, we benefit from our strategic partnership with selected customers. Through know-how sharing and trainings provided during our deep collaboration with these customers, we were able to further improve our technical capabilities and enhance our service excellence. Such strategic relationship with reputable partners also helps us attract new customers via word of mouth referrals and reinforces our close relationships with such customers.

Led by Dr. LOU, our chairman and chief executive officer, our highly skilled and experienced management team with diverse expertise and extensive knowledge has significantly contributed to the growth of our institutional knowledge base. In addition, their international background, together with their deep understanding of the China market and the open and embracing corporate culture of our Group, provide us with global expansion capabilities. In addition, our management team has established a highly experienced talent pool with strong execution capabilities. As of June 30, 2019, we had over 5,500 scientists and research technicians in China, the U.K. and the U.S. In order to develop and train our talents, we provide continuous training programs to our employees through "Pharmaron College," visiting scholar programs and various symposiums, forums and lectureship. Through these initiatives, our team members can acquire updates on the most advanced technology and techniques, thereby supporting our continued and sustainable expansion with a cohesive, vibrant and stable mid-level management team.

We experienced significant growth during the Track Record Period. Our revenue increased significantly from RMB1,634.2 million in 2016 to RMB2,294.1 million in 2017 and further to RMB2,908.1 million in 2018, representing a CAGR of 33.4%, and increased from RMB1,270.6 million in the six months ended June 30, 2018 to RMB1,636.5 million in the same period of 2019. Our net profit increased significantly from RMB171.3 million in 2016 to RMB218.7 million in 2017 and further to RMB335.8 million in 2018, representing a CAGR of 40.0%, and increased from RMB120.4 million in the six months ended June 30, 2018 to RMB156.7 million in the same period of 2019. The increases in our revenue and net profit during the Track Record Period were primarily due to the strong and growing demand for our pharmaceutical R&D services from customers both in China and overseas.

Our Strengths

Leading fully-integrated pharmaceutical R&D service platform with strong capabilities and comprehensive service offerings across the globe

We are the second largest pharmaceutical R&D service platform in China and one of the top three drug discovery service providers globally in terms of total revenue in 2018, according to Frost & Sullivan. As of June 30, 2019, we had over 5,500 scientists and technicians in China, the U.K. and the U.S. We have a well-established R&D service platform for the discovery stage of small molecule innovative drugs, based on which we have expanded our expertise to various stages of drug development and manufacturing.

We have successfully evolved from a pure laboratory chemistry service provider to an end-to-end pharmaceutical R&D service platform with operations in China, the U.S. and the U.K. to cater to a full spectrum of customers' needs. We have established our leadership in drug discovery, pre-clinical and early clinical-stage development, while we have also been expanding our capabilities downstream to late clinical-stage development and commercial manufacturing. In expanding along the pharmaceutical R&D process, we have established expertise in all major R&D functions to deliver key milestones in each R&D stage, thereby enabling our customers to conduct their R&D programs in an accelerated manner.

We have established great reputation in the global pharmaceutical R&D service industry and built strong partnership relationships with top pharmaceutical and biotech companies. Through the comprehensive drug discovery services we provided to these customers, we have accumulated profound understanding of the unique scientific challenges of their new pharmaceutical R&D projects, which better positioned us to follow such projects downstream and implement our end-to-end business model. We believe our profound industry knowledge, strong execution capability and end-to-end solutions create value for our customers by accelerating their drug discovery and development processes and reducing the associated risks.

Global operations with state-of-the-art technologies to provide customized solutions

We operate globally through our laboratory, clinical and manufacturing facilities in China, the U.S. and the U.K. In order to stay at the forefront of technologies and maintain our competitiveness, we are devoted to further enhancing our technical capability through internal research and development efforts, cooperation with universities and research institutions, collaboration with our customers and acquisitions.

We have put in place our chemoproteomics platform, which has multiple applications in drug R&D such as facilitating identification of novel biological targets and hits and conducting safety evaluation in a unique way. Furthermore, our technology platform combining microautoradiography and immunohistochemistry with radiolabeled testing helps us better understand the mechanism of action for efficacy and safety. These cutting-edge technologies provide new insights for our customers to accelerate their drug discovery and development programs.

In 2016 and 2017, we further expanded our service offerings and strengthened our technology platforms through acquisitions in the U.S. and the U.K. With our successful integration and further development of technology platforms among these acquired subsidiaries, we established state-of-the-art technical capabilities that provides our customers with high quality and intuitive translational tool in pharmacokinetic and metabolism studies from pre-clinical to clinical stage to further accelerate their drug development processes. Combining the comprehensive radioisotope based compound synthesis-clinical-analysis techniques of our U.K. subsidiary with the AMS isotope analysis technology of our U.S. subsidiary, we are the only pharmaceutical R&D service provider that offers such integrated pharmaceutical R&D solutions, according to Frost & Sullivan.

The global presence and world-class technical capabilities allow us to offer our customers and partners a unique proposition that combines our technical expertise and efficient services. We have a proven track record of offering the customized solutions to address specific needs or requests by integrating the expertise from our global operations. For example, our highly experienced drug discovery team in China and the U.K. works closely to provide a unique service model to meet our customers' needs by fully utilizing the strengths of our China and U.K. team to deliver high quality of milestones to our customers. Our clinical pharmacology team in the U.S. has worked seamlessly with our China team to conduct first-in-human (FIH) studies in the U.S. after IND applications have been prepared and submitted by the China team. In addition, our experience to conduct regulatory filings in various jurisdictions and our total solution approach enable our customers to file investigational new drug (IND) applications for their drug candidates in China, the U.S. or Europe in parallel, which provides greater flexibility and efficiency in their business development strategies in their target markets.

Well positioned to capture growth opportunities arising from the continued industry landscape evolvement

Our integrated pharmaceutical R&D platform, supported by our operations across China, the U.S. and the U.K., is well positioned to capture the growth opportunities in the global pharmaceutical R&D service market arising from the industry landscape evolvement. The global pharmaceutical R&D service market reached US$84.7 billion in 2018 and is expected to increase to US$147.0 billion by 2023 with a CAGR of 11.7%, according to Frost & Sullivan. In addition, the penetration rate of global CRO market reached 37.2% in 2018 and such penetration rate is expected to further increase to 48.0% in 2023, according to Frost & Sullivan. We believe we will continue to benefit from the growing demand of pharmaceutical R&D services as it is a trend for pharmaceutical and biotech companies to enter into deeper collaborations with their preferred service providers to achieve better coordination and higher efficiency of their R&D projects. As such, pharmaceutical R&D service providers with end-to-end service offerings and good track record like us are generally partners of choice to these companies. In particular, the number of biotech start-up companies and their R&D expenditures increase rapidly. These biotech start-up companies heavily rely on external R&D support with fully integrated platform as it achieves greater cost effectiveness and time efficiency than establishing comprehensive internal R&D capabilities. The R&D expenditure of biotech companies worldwide reached US$12.3 billion in 2018 and is expected to further increase to US$24.5 billion in 2023. In 2018, among 59 NDAs approved by the FDA, 23 of which were developed by biotech companies. Through our long term collaboration with our partners and customers, we contribute to transforming drug discovery and development in a more efficient way.

Furthermore, China is the second largest pharmaceutical market with a market size of US$231.6 billion in 2018, and is the fastest growing pharmaceutical R&D service market which reached US$8.2 billion in 2018 and is expected to increase to US$29.9 billion by 2023 with a CAGR of 29.4%, according to Frost & Sullivan. In addition, the China pharmaceutical R&D expenditure reached US$17.4 billion in 2018 and is expected to increase to US$49.3 billion in 2023, representing a CAGR of 23.1%, according to Frost & Sullivan. Along with the trend for large China based pharmaceutical companies to shift their focus from generic drugs to innovative drugs and the rapidly increasing number of biotech companies in China, demand for pharmaceutical R&D services is strong. The penetration rate of China CRO market reached 35.8% in 2018 and such penetration rate is expected to increase to 49.3% in 2023, which would exceed the global average level according to Frost & Sullivan. Rooted in the fastest growing pharmaceutical R&D service market in the world and leveraging the expertise that we have accumulated through our global operations over the years, we are well positioned to capitalize on strong industry growth drivers in China and to further strengthen our leadership in such market.

Reputable, loyal and expanding customer base that contributes to our sustainable growth and business collaboration

We have a large, diverse and loyal customer base. As of June 30, 2019, we had an aggregate of over 1,000 customers, which included all of the top 20 global pharmaceutical companies that contributed to 31.3% of our revenue in 2018, and many reputable biotech companies. In 2016, 2017, 2018, the six months ended June 30, 2019 and the nine months ended September 30, 2019, we provided pharmaceutical R&D services to 623, 767, 846, 780 and 937 customers, respectively. We are also a partner of choice of fast-growing start-ups and virtual biotech companies. In 2018, 94.7% of our revenue was from repeat customers and 67.8% of our revenue was from customers that used services from more than one of our business units. Our loyal and growing customer base allows us to expand to new services along the drug discovery and development processes as our existing customers' projects progress further.

We have a globally centralized business development team with solid scientific background to deliver customer services without geographic and service boundaries. Our integrated solutions and profound understanding of customers' needs further enable us to provide customized pharmaceutical R&D services. Horizontally, we are able to cross-sell our services of different scientific functions with over 80% of the revenue from our discovery stage bioscience services in 2018 contributed by our existing laboratory chemistry customers. We also have strong IND-enabling capability based on which approximately 60% of the APIs in connection with safety assessment in the IND applications submitted by our customers in 2018 were manufactured by our CMC department. Vertically, our services cover the drug development stages with nearly 80% of our revenue from CMC services in 2018 contributed by existing drug discovery customers. Our strong execution capabilities and quality customer services are widely recognized by our customers, which provide us with the opportunity to build confidence and trust between the customers and us.

In addition, we benefit from our strategic partnership with selected customers. Through know-how sharing and trainings provided during our deep collaboration with these customers, we were able to further improve our technical capabilities and enhance our service excellence, thereby creating a virtuous cycle. With our strong technical expertise, advanced technology infrastructure, deep industry knowledge and quality customer services, we are able to become our customers' business partners and help them form their drug development or R&D outsourcing strategies, which in turn reinforces our close relationships with such customers. Moreover, the reputation accumulated from such partnership relationship serves as a reference point of our service quality, thereby enabling us to attract new customers.

We are devoted to providing our customers with world-class pharmaceutical R&D services. In addition to our strong scientific capabilities, we put emphasis on areas like environmental, health, safety and IP protection, which is well-recognized by our customers and increases their satisfaction. We take various measures and maintain management and IT systems to ensure that our customers' intellectual properties are well protected, and we maintain an excellent track record of intellectual property protection to date. Our commitment to high quality services helped us to expand our customer base via word-of-mouth referrals.

Dedicated, stable and visionary management team supported by experienced talent pool

We are led by Dr. LOU, our chairman and chief executive officer. With over 30 years of experience in the pharmaceutical industry, Dr. LOU's visionary leadership of our Company has earned him wide respect in the industry. Our senior management team has been with us for more than 10 years. Members of our highly skilled and experienced management team possess diverse expertise and extensive knowledge, and have significantly contributed to the growth of our institutional knowledge base. In addition, their international background, together with their deep understanding of the China market and our open and embracing corporate culture, provide us with global expansion capabilities.

In addition, our visionary management team has established a highly experienced talent pool with strong execution capabilities. As of June 30, 2019, we had over 5,500 scientists and research technicians in China, the U.K. and the U.S. In order to develop and train our talents, we provide continuous training programs to our employees through "Pharmaron College," our in-house training system, as well as offering visiting scholar programs at renowned laboratories or institutions and holding various symposiums, forums and lectureship. Through these initiatives, our team members can acquire updates on the most advanced technology and techniques. To support our continued and sustainable expansion, we are devoted to building, developing and identifying future leaders within our organization. We focus on our home grown scientific team consisting of selected, young and promising scientists, which enables us to form a cohesive, vibrant and stable mid-level management team.

We believe our dedicated, stable and visionary management team and experienced talent pool are valuable assets to us and set the foundation for our long term success.

Our Strategies

We aim to further strengthen our fully-integrated pharmaceutical R&D platform to accelerate global drug innovation. We plan to execute the following key strategies to achieve our goal:

Continue to maintain our leading position in pharmaceutical R&D services of small molecule innovative drugs and further expand our development service offerings

We will continue to invest and strengthen our technical expertise in order to maintain our leading position in the pharmaceutical R&D services of small molecule innovative drugs. In addition, with the increasing demand from pharmaceutical and biotech companies for more cost and time efficient pharmaceutical R&D solutions, we believe pharmaceutical R&D service providers with vertical integration capabilities and end-to-end services will have greater market competitiveness.

As such, we plan to strategically expand our service offerings and capacity along the drug discovery and development processes into later stage clinical development, as well as clinical and commercial manufacturing of API and finished dosage. We plan to further expand our manufacturing capabilities, including our Ningbo and Tianjin facilities, and to recruit talents with relevant expertise. If suitable target occurs, we may also consider acquisition opportunities to add attractive and differentiated R&D and manufacturing capacity and capability. We believe this will expand our service offerings and enhance our market competitiveness.

Continue to develop and acquire innovative pharmaceutical R&D technologies

We believe that our advanced technologies have been crucial in helping us maintain our position as a leading drug discovery and development platform. We will continue to invest in innovative technologies and work closely with reputable research institutions and universities to enhance our R&D service capabilities and stay at the forefront of the industry. Key focus areas include setting up high throughput organic reaction system, expanding DNA-encoded library capacity, strengthening chemoproteomics platform for novel biological target discovery, hit/lead identification and safety evaluation, introducing cutting-edge imaging technologies for mechanism of action and diagnosis purposes, improving our data analytic capabilities and upgrading our discovery platform. In addition to internal development, we will continue to evaluate potential acquisition targets in order to strengthen our technology excellence and one-stop services.

Further capitalize on the evolving and fast-growing China market

China is the second largest pharmaceutical market and the fastest growing pharmaceutical R&D service market in the world with the market sizes expected to grow from US$8.2 billion in 2018 to US$29.9 billion in 2023. Leveraging the trend for Chinese pharmaceutical companies to shift their focus from generic drugs to innovative drugs, we plan to further develop and strengthen our strategic long-term relationship with them and to expand our service offerings to late stage clinical studies and CMC services, thereby providing more comprehensive services to cover their R&D needs. In addition, the number of biotech companies in China is increasing rapidly, which has led to a strong and growing demand for pharmaceutical R&D services. We plan to apply our global operations, well-established R&D platforms and cutting-edge technologies to customers in China to further capitalize this fast-growing market and gain additional market share.

Deepen collaborations with existing customers and broaden customer base

As a leader in the global pharmaceutical R&D service industry, we have provided high-quality services to over 1,000 biotech and pharmaceutical customers worldwide. As we continue to expand our capabilities downstream to late clinical-stage development and commercial manufacturing, we plan to leverage our loyal customer base and further deepen our business collaborations with existing customers to cross-sell our diverse and comprehensive service offerings to them and further increase our market penetration. In addition, we also plan to leverage our dedicated business development team and deep industry knowledge to further expand our customer base, in particular among the fast-growing start-up and virtual biotech companies. We believe the breadth and depth of our integrated and customized solutions and quality services, combined with our reputation accumulated from existing customer relationships, position us well to capture an increasing share of our customers' R&D spending as their business grow.

Further strengthen capabilities for biologics

While we specialize in the discovery and development of small molecule innovative drugs, we plan to leverage our expertise and knowledge to further diversify our service offerings in the discovery and early stage development of innovative biologic drugs. In furtherance to our existing capacity to conduct drug discovery for biologics, we plan to further strengthen and further diversify our biologics capabilities by establishing research and development facilities in China and overseas. We also plan to recruit talents with relevant expertise to expand our service offerings in biologics.

If suitable target occurs, we may also consider acquisition opportunities to add attractive and differentiated R&D and manufacturing capacity and capability for both discovery and development of biologics in China and overseas. Leveraging the biology capabilities accumulated in our pharmaceutical R&D platform, we believe we are well-positioned to provide more comprehensive and cost efficient biologics R&D services to our customers.

Continue to attract, train and retain talents to support our long-term and sustainable growth

We believe our scientists and research technicians are crucial to our ability to provide high quality services to our customers. To maintain our high service quality and industry leading expertise, and to continuously meet our customers' evolving demands, we will continue to recruit, train, promote and retain the most talented individuals in our industry. In addition, we will continue to nurture future scientific and management talents within our Company through our Pharmaron College and other training programs and initiatives. Furthermore, we have adopted various measures to attract and retain promising talents in our industry. With our recruiting efforts, global footprint, fully-integrated platform and competitive compensation package including share based incentives, we believe we will effectively secure our demand for the talents and serve our customers beyond boundaries.

OUR PLATFORM AND INTEGRATED SOLUTIONS

We are a leading fully-integrated pharmaceutical R&D service platform with global operations. Since our inception, we have successfully evolved from a pure chemistry service provider through drug discovery, to a fully integrated contract research, development and manufacturing organization, providing services across scientific disciplines covering the entire spectrum of drug discovery and development. In addition, leveraging our comprehensive service offerings, we provide integrated and customized solutions to pharmaceutical and biotech companies throughout the entire pharmaceutical R&D process.

The pharmaceutical R&D process mainly consists of four stages: (i) drug discovery, (ii) preclinical development, (iii) clinical development and (iv) commercialization. Our integrated solution combines pharmaceutical R&D services under three major categories: laboratory services, clinical development services and CMC services. Our laboratory services primarily cover various scientific functions and disciplines for drug discovery and preclinical development stages; our clinical development services primarily cover various scientific functions and disciplines for clinical development stage; and our CMC services primarily cover the preclinical, clinical and commercial manufacturing stages.

We have established our leadership in drug discovery and early-stage clinical development, while we continue to expand our capabilities in late-stage clinical development and commercial manufacturing. Through our end-to-end service platform, we serve the needs of our diverse, expanding global customer base, which ranges from large multinational pharmaceutical companies to venture-backed start-ups and virtual biotech companies. We provide our customers with world class services, customized solutions and state-of-the-art technical capabilities, enabling them to potentially reduce associated R&D costs and risks, to relieve the need to invest significant resources to develop their in-house capabilities and to improve overall efficiency throughout the drug discovery and development process.

The chart below illustrates our key service offerings in each stage of the pharmaceutical R&D process:

Laboratory Services

Our laboratory services primarily include laboratory chemistry, DMPK/ADME, biology services, safety assessment and discovery biologics. As of June 30, 2019, we had over 3,600 employees under our laboratory services segment. Our laboratory services segment contributed to 70.8%, 65.0%, 65.2% and 64.8% of our revenue in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

Laboratory Chemistry

We provide efficient and innovative chemistry services in support of customers' medicinal chemistry and drug discovery research. With the leadership of an experienced synthetic and medicinal chemistry management team, we employ over 3,000 chemists designing and synthesizing compounds to meet the needs of our partners in a timely and cost-effective manner.

Medicinal Chemistry

Our medicinal chemistry services support our customers' needs for hit identification (HI), lead generation (LG) and lead optimization (LO) programs, including scaffold design for hit identification, preliminary intellectual property (IP) analysis on newly designed scaffolds, synthesis of focused libraries for LG and LO, structure-activity relationship analysis based on *in vitro* and *in vivo* data, computer-aided drug design (CADD) and diversity analysis, non-cGMP scale-up to support *in vivo* efficacy and toxicity studies, patent application preparation, recommendation of appropriate DMPK and *in vitro* toxicology studies to help key compound advancement, and project management.

Using CADD, our modeling team analyzes and constructs models of small molecules to address questions encountered in the progression of drug discovery projects regarding potency, selectivity and metabolic stability. The CADD team uses an array of computational tools and resources and works closely with our partners' chemistry team, as well as our own chemists and structural biologists.

Synthetic Chemistry

Our organic chemistry services design synthetic routes and prepare targets on milligram to kilogram scales. We are able to organically synthesize novel compounds with complex structures, perform chiral chemistry via asymmetric synthesis, optical resolution, chiral separation (high-performance liquid/supercritical fluid chromatography), bio-organic chemistry including nucleosides and nucleotides, carbohydrates, peptides, lipids and antibody-drug conjugates, and library synthesis of diversity compound collections or those designed for specific targets, and DNA-encoded library synthesis.

To support our partners' efforts to expedite the drug discovery process, we have assembled world-class capacity in routine library and DNA-encoded library synthesis. Our experienced library teams are capable of efficiently validating synthetic routes and carrying out library synthesis. Our laboratories are equipped with all necessary modern instruments including synthesizers, microwave assisted reactors, automated HPLC purification systems, liquid chromatography-mass spectrometry and nuclear magnetic resonance spectroscopy, compound management and plating systems.

In addition, our discovery process chemistry team has a proven track record of providing advanced intermediates and active pharmaceutical ingredient scale-up. Our team supports programs from late-stage lead optimization, facilitating candidate selection through preclinical development. We provide a wide range of services that enable the rapid development of candidate compounds to accelerate programs to key preclinical milestones. Our route design/redesign services include designing new routes for complex targets, applications of the latest synthetic methodology and catalytic and asymmetric approaches. Our optimization of current synthetic routes includes reaction screening, statistical approaches in experiment design and intermediate stability studies. Our compound purification and isolation improvement services include the development of robust isolations, physical form monitoring, classical resolutions and impurity isolation and identification. Our process safety evaluation services include generation and interpretation of data to ensure safe scale-up, a suite of techniques used to provide robust data readouts, and reaction calorimeter, adiabatic calorimetry, differential scanning calorimetry and power compensation calorimetry.

Discovery Analytical Chemistry and Purification Sciences

Our analytical chemistry services provide analytical services to support library compound, medicinal chemistry, synthetic chemistry and discovery process chemistry programs. Our analytical and purification team, equipped with state-of-the-art instruments, provides services specialized in chiral and achiral separation and purifications, such as those listed below:

- Analytical method development for chiral separations;
- Chiral separation from milligram to multi-kilogram scale;
- Achiral and chiral supercritical fluid chromatography purification and crude sample purification;
- High-throughput quality control and purification for library compounds, including DNA-encoded libraries;
- Compound characterization and authentic material characterization;

- Genotoxic impurity method development;
- Ion analysis by ion chromatography;
- Metal method development and analysis by ICP-OES and ICP-MS;
- Structure confirmation studies and elemental analysis;
- Impurity structure elucidation studies; and
- Nuclear magnetic resonance spectroscopy (NMR) and quantitative NMR services for structure elucidation of isolated impurities by acquisition and interpretation of comprehensive 1D/2D NMR data.

DMPK/ADME

We provide high-quality DMPK/ADME services to support drug discovery and development programs from early discovery stages through IND submission. Our DMPK/ADME services offering which integrates with laboratory chemistry, CMC, *in vivo* pharmacology and safety assessment, assists customers in successfully identifying preclinical candidates and preparing IND applications.

We offer comprehensive *in vitro* ADME, *in vitro* toxicity and in *vivo* DMPK services that allow for the rapid evaluation of the DMPK properties and toxicity of test compounds. We perform screening assays covering a wide spectrum of *in vitro* ADME to support discovery and preclinical needs, with data types including solution properties, permeability, enzymatic stability and drug-drug interaction potential.

We also offer *in vivo* DMPK, toxicokinetics (TK) and formulation analysis services to support drug discovery and the preclinical development for small molecules, peptides, nucleosides/nucleotides and biologics. The *in vivo* DMPK team working together with *in vivo* pharmacology team conducts PK/PD studies to help confirm the exposure levels of a test compound and biomarkers in systemic circulation and tissues, particularly target organs, while assists in understanding the correlation between a test compound's exposure and its PD effects using diseased or healthy animal models.

Meanwhile, we conduct DMPK studies to support the preparation of comprehensive IND filing DMPK package that meet FDA, NMPA and EMA regulatory requirements. The DMPK package includes comprehensive *in vitro* and *in vivo* ADME profile of the test article.

In addition to our IND filing package services, we provide GLP/GCP-compliant analytical and bioanalytical services to support preclinical to clinical studies for small molecule drugs, biologics and vaccines, from API pharmacokinetics to PD biomarkers and from mass balance studies on rodents by quantitative whole-body autoradiography to an absolute bioavailability study by micro-dosing in human.

in vitro Biology and in vivo Pharmacology

We provide *in vitro* biology, *in vivo* pharmacology services to support drug discovery and development programs. Our services cover major therapeutic areas such as oncology, cardiovascular and metabolic diseases, neuroscience, inflammation/pain and immunology.

in vitro Biology

Our *in vitro* biology services support drug discovery and development to help our partners succeed in target validation, hit identification, hit-to-lead, lead optimization and selection of preclinical candidates. Our scientists and technicians are experienced in biochemistry, cell biology, high throughput screening (HTS), structural biology, electrophysiology and protein engineering, and has expertise in key therapeutic areas including oncology, immuno-oncology, metabolic disorders, immunology, inflammation and neuroscience and pain. Our *in vitro* biology services are described in more detail below.

- *in vitro Screening*. Our *in vitro* screening center is designed to advance novel compounds from early-stage discovery to the clinical development stage, with capabilities including HTS, assay development, primary, secondary/cellular, selectivity and *in vitro* safety pharmacology screening and studies of mechanism of action. We have target-based screening platforms covering enzymes, ion-channels, G-protein-coupled receptors (GPCRs) and nuclear receptors to support discovery programs. Our *in vitro* safety pharmacology screening covers kinases, GPCRs, nuclear receptor and ion channel panels.

- *in vitro Disease Biology*. Our *in vitro* disease biology team works closely with our customers on specific projects, including evaluating biological targets, developing and validating assays, screening compounds and providing customized work flows to meet project-specific goals.

- *Structural Biology*. Our structural biology team provides services in protein expression, purification and crystallization, crystal structure determination and analysis of macromolecule and small molecule complexes. The structural information will help biologists to understand the mechanism of action of the biological target in signal transduction pathways and also provide the computational chemists with the structural information to facilitate the modeling work in design of novel compounds.

- *Compound Management System*. Our compound management system is a tailor-made, automated system that stores, archives and handles compounds in either solid or solution format. The system is composed of a high-throughput liquid/plates handling platform and a secured sample storage platform, complemented by sophisticated data management and processing software. It supports the assays needed by *in vitro* biology and *in vitro* ADME, with high precision, accuracy and reproducibility.

in vivo Pharmacology

Our *in vivo* pharmacology services consist of *in vivo* and *ex vivo* pharmacology services in therapeutic areas of oncology, cardiovascular and metabolic disorders, inflammatory diseases, central nervous system (CNS) diseases and pain. Our scientists and technicians possess significant experience in disease model establishment and validation for efficacy screening, *in vivo* pharmacology profiling, PK/PD and mechanism of action studies and customized studies, and are supported by our internal PK/bioanalytical, *ex vivo* pharmacology and *in vitro* biology teams as part of our integrated service offering.

The *ex vivo* analysis of samples derived from *in vivo* study animals is to confirm the *in vivo* effect of test articles and to identify the correlation between *in vivo* efficacy and biomarkers. With data for test article's exposure in animals, conducted by our DMPK and *in vitro* biology teams, a PK/PD correlation could be established to better understand the test article's behavior *in vivo*.

Safety Assessment

We provide comprehensive, GLP-compliant safety assessment services to support discovery programs as well as regulatory filings with the FDA, NMPA and EMA. The evaluation of the safety of new drug candidates includes general toxicology, safety pharmacology, genetic toxicology, developmental and reproductive toxicology (DART) to immunotoxicity and immunogenicity in support of customers' IND and NDA submissions at our international GLP-compliant and AAALAC-accredited safety assessment facility. Our safety assessment services primarily cover:

- *General Toxicology*. We help our partners plan and conduct general toxicology studies to support pharmaceutical development programs in both small molecule drugs and biologics. The types of studies that we conduct include acute/single dose, sub-chronic and chronic studies, in both large and small animal species.

- *Safety Pharmacology*. We offer core battery safety pharmacology studies in both large and small animal species, either as a stand-alone study or incorporated within broader toxicology studies, on the central nervous system, cardiovascular system and respiratory system.

- *Genetic Toxicology*. Our genetic toxicology services provides genotoxicity screening assays for discovery programs and standard GLP genotoxicity assays to establish compliance with regulatory guidelines and GLP standards.

- *DART*. Our DART services is for evaluating developmental and reproductive toxicity of various types of test articles, particularly pharmaceutical agents.

- *Pathology*. Our pathology services provide pathologic assessments and interpretations including clinical pathology, necropsy, histology, and histopathology.

- *Immunotoxicity and Immunogenicity*. Our technology platforms include immunochemistry, immunohistochemistry, flow cytometry, heat-mediated enzyme-linked immunosorbent assay (HELISA), real-time PCR (qPCR) and next generation sequencing platforms, through which we are able to help our customers evaluate a wide range of test articles, including antibodies, recombinant proteins and siRNA.

- *Bioanalytical Sciences*. We provide bioanalytical testing services in support of safety assessments of both small molecule drugs and biologics, including method development and validation, dose formulation analysis, bioanalysis of preclinical samples.

Discovery Biologics

Our discovery biologics services focus on cell line development, antibody/protein engineering, Fc-fusion proteins, antibody humanization, recombinant antibody production, protein expression, purification and characterization. We have extensive experience in various protein expression systems and are capable of purifying recombinant proteins from various cells or native proteins from animal organs or tissues. We are also experienced in preparation of ADCs and pegylation of proteins post-protein expression. With these capabilities, we can help discover and re-engineer novel antibodies/proteins for therapeutic purpose and also provide special cell lines and antibody/protein to support *in vitro* biology and *in vivo* pharmacology project needs.

Clinical Development Services

Our clinical development services include clinical research services, site management services, regulatory bioanalysis services and radiolabelled sciences. As of June 30, 2019, we had over 470 employees under our clinical development services segment. Our clinical development services segment contributed to 9.1%, 9.8%, 11.9% and 11.6% of our revenue in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

Clinical Research Services

We provide clinical research services in both U.S. and China. In U.S., clinical research services are provided through our clinical pharmacology center in Baltimore, while in China, we provide clinical research services through our subsidiary CR Medicon located in Nanjing, China. With our capability to provide clinical research services both in the U.S. and in China, we are able to meet the customized needs of our domestic and international partners. We can also file investigational new drug (IND) applications for their drug candidates in China, the U.S. or Europe in parallel.

U.S. Clinical Research Services

Our clinical research center in Baltimore specializes in integrated FIH, Thorough QT/Early Phase QT, human abuse potential and Japanese and Chinese ethnobridging, with a therapeutic focus on infectious disease, CNS, dermatology, metabolism and respiratory diseases, to conduct Phase I and II clinical trials in support of clinical development. In addition, the clinical center can also conduct ^{14}C-microdosing and ^{14}C-macrodosing to support clinical PK and metabolism studies, using AMS and liquid scintillation counting (LSC) analytical platforms.

Our services primarily include:

- *First-in-Human (FIH) study*. While the clinical research center offers services to conduct routine FIH study, evaluating innovative investigational drugs' PK, food effect, safety and tolerability, we can incorporate multiple objectives into a single Phase I protocol, to answer specific questions in FIH studies include complex drug delivery, adaptive designing including dose level and formulation development, QT de-risking, thorough QT investigation, ethnobridging study, PD assessments and studies for early proof-of-concept. ^{14}C-microdosing and ^{14}C-macrodosing for absolute bioavailability and metabolism studies can be incorporated into the FIH study, or as separate studies.

- *Single-site Phase II Studies*. Through our established network of local academic sites, hospitals and private practice physicians, we utilize a single data collection center, which is fed by many recruitment centers. The use of a single site for data collection yields consistent, high-quality data collection and reporting.

All the analytical studies associated with the clinical studies are carried out in our designated analytical labs for bioanalysis of small molecule and biologic samples, biomarker analysis and clinical pathology tests.

China Clinical Research Services

We provide clinical research services in China through our subsidiary CR Medicon, a full-service clinical CRO established in 2017 and located in Nanjing, China. Our clinical research services provided through CR Medicon primarily include:

- *Regulatory and Registration.* Our team provides services for IND and NDA registration for small molecule drugs, biologics and medical devices for domestic and foreign pharmaceutical companies.

- *Medical Affairs.* We provide medical affairs service to develop optimal clinical development plans, providing high-quality clinical trial design and draft as well as preparation of registration dossier. The medical monitoring team focuses on medical monitoring services for clinical research.

- *Clinical Operation.* Our clinical operation service covers Phase I-III, bio-equivalence and medical device clinical studies. As a basis of our complete project management process, we have on-site auditors in approximately 100 cities across China to assist in monitoring clinical trials, to ensure that the clinical studies are conducted under GCP/ICH guidelines and data integrity is intact and ensure the smooth implementation and timely completion of the project.

- *Data Management and Statistical Analysis.* Our data management and statistical specialists strictly implements the CDISC rules, follows the GCP guidelines and our internal and customers' standard operating procedure (SOP) workflows, and designs custom solutions based on sponsors' requirements. From protocol design to the entire project management, we provide flexible and convenient services that ensure smooth and unobstructed communications between regulatory authorities and researchers.

- *Pharmacovigilance.* We provide pharmacovigilance solutions, including IND-filing needed information on the establishment of pharmacovigilance system, safety management plan, the individual case safety report (ICSR), and drug safety update reports (DSUR).

Regulatory Bioanalysis Services

All the analytical studies associated with the clinical studies are carried out in our designated analytical laboratories for bioanalysis of small molecule and biologic samples, biomarker analysis and clinical pathology tests. Our clinical bioanalytical team aims to develop and validate reliable and robust bioanalytical methods and to provide high-quality bioanalytical services with high levels of data integrity and GCP compliance to meet the requirements of major global regulatory authorities (such as the FDA, NMPA and EMA). We provide bioanalysis services for small molecules and biologics:

- *Bioanalysis of small molecules*. Our small molecule bioanalysis team conducts method development, method validation, quantitative analysis for API and metabolites of small molecules, using HPLC and LC/MS/MS analytical tools for quantitative analysis to support the clinical trials.

- *Bioanalysis of biologics*: Our biologics bioanalysis team performs method development, method validation, quantitative analysis for biologics, including biomarker analysis using mesoscale discovery, Gyros HELISA, qPCR and flow cytometry and other techniques to support the clinical trials.

- *Bioanalysis of ^{14}C-API and ^{14}C-metabolites*: Our isotope bioanalysis team carry out ^{14}C-material method development, method validation, quantitative analysis for ^{14}C-API, ^{14}C-metabolites, ^{14}C-biologics, using either AMS and/or LSC analytical tools to support the isotope related clinical studies.

The global presence of our bioanalytical capability (in China, the U.S. and the U.K.) makes our bioanalysis platform readily available to clinical research centers globally, which enables us to accelerate the clinical development process for our customers.

Site Management Services

We provide site management services (SMO), which include site feasibility, site initiation, patient recruitment, patient management, data entry and document management, on-site drug management and bio-sample management till site closure, through our associate LinkStart, headquartered in Beijing, China. As of June 30, 2019, LinkStart has approximately 700 clinical research coordinators and has established stable and long term collaboration relationship with over 400 national clinical research centers across China. LinkStart is particularly experienced in conducting clinical research for major therapeutic areas such as oncology, endocrinological diseases, cardiovascular diseases, infection and immune rheumatoid diseases. As of June 30, 2019, LinkStart has conducted over 400 clinical studies, of which approximately 85% are innovative drugs and biological products.

Radiolabelled Sciences

Our experienced synthetic chemists, analytical chemists and drug metabolism scientists help our customers synthesize ^{14}C and ^{3}H radiolabelled compounds to study their absorption, distribution, metabolism, excretion and fate of a wide variety of compounds in clinical, preclinical and discovery investigations.

Radiolabelling/Radiosynthesis

Our radiochemistry specialists provide expert advice on radiosynthesis, preparation and release of radiolabelled test compounds for use in non-clinical and clinical drug development and in environmental fate studies. With our years of dedication in the radiochemical synthesis field, our cGMP- and/or GLP-compliant state-of-the-art laboratory facilities have made approximately 40,000 ^{14}C labelled and approximately 10,000 ^{3}H labelled molecules.

We offer complete management of the radiosynthesis process, from labelling position selection, optimizing radiosynthetic pathways, final product analysis to repurification and recycling options. We also offer covalent radiolabelling/radiotagging techniques with ^{3}H and ^{14}C for biologics.

AME Study of Radiolabelled Compounds

We provide comprehensive services to support ^{14}C radiolabelled studies in humans. Together with our clinical research team, our integrated solutions include ^{14}C radiosynthesis of compounds suitable for human administration, mass balance, metabolite analysis (metabolite profiling/identification), drug-drug interaction and PK for traditional high-radioactive dose studies using LSC analysis. We also support low-radioactive dose studies (microtracer and microdose) employing clinical protocols using nCi tracer doses of radioactivity in humans with ultra-sensitive AMS analysis for clinical metabolism and absolute bioavailability.

AMS and Other Conventional Analyses

AMS is an analytical platform that can analyze ^{14}C-material in an ultra-sensitive manner, allowing ultra-low abundance of ^{14}C-materials to be analyzed with high accuracy, precision and reproducibility to meet the GCP/ICH guidelines for regulatory submission. By employing our AMS analytical platform, we provide services to analyze ^{14}C-materials in samples taken from clinical and non-clinical studies. This high sensitivity analytical platform allows ^{14}C-microdosing or ^{14}C-microtracer approach in clinical studies become available. Our team including AMS specialists and clinical experts help design ^{14}C-microtracer included clinical studies, such as absolute bioavailability in human and clinical metabolism studies. Our clinical and AMS teams execute the study plans following GCP/ICH guidelines to ensure high quality of data and data integrity.

We also provide services using other conventional analytical tools to conduct analysis of $^{14}C/^{3}H$-labelled materials in samples taken from clinical studies, to answer questions associated with clinical metabolism, following GCP/ICH guidelines for regulatory submission. These conventional analytical tools include LSC platform, which, more than often, meet the needs for clinical metabolism study using $^{14}C/^{3}H$-macrodosing approach.

CMC Services

Our experienced CMC team delivers customized and cost-efficient solutions in drug development and manufacturing, including process development and manufacturing, material science/pre-formulation, formulation development and manufacturing, and analytical development services to support pre-clinical, clinical development and commercial manufacturing. As of June 30, 2019, we had over 1,400 employees under our CMC services segment and had nearly 150 ongoing projects in different drug R&D stages. Our CMC services segment contributed to 20.1%, 24.5%, 22.2% and 23.0% of our revenue in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

The quality assurance system of our CMC services has passed numerous quality audits by large international pharmaceutical and biotech companies and is in compliance with all applicable regulatory requirements. Our cGMP API and drug product manufacturing facility is qualified for manufacturing products to support clinical trials in key global markets, such as the United States, China and the EU. Our quality assurance system follows ICH guidelines and supports API and drug product development and manufacturing in compliance with cGMP requirements promulgated by the FDA, NMPA and EMA. It also provides support for the preparation of full regulatory data packages and documentation sets for regulatory filings and cGMP audits by customers in the United States, the EU and Asia.

Process Development and Manufacturing

Our process chemistry specialists provide a broad range of services in our China and UK facilities for API development, from preclinical through NDA, as described below.

- Discovery and development of new and existing synthetic routes, fit-for-purpose optimization and scale-up from preclinical to NDA;
- Polymorph and salt/co-crystal screening for selection of an appropriate solid form for API development;
- Crystallization of API and intermediate for process development;
- Development of synthetic routes and scalable processes for complex organic molecules and APIs, such as macrolides, nucleotides and nucleosides, including those with synthetic sequences with over 20 steps;
- Definition and study of critical process parameters to support validation of chemical processes for the cGMP or non-cGMP production of APIs; and
- Discovery and development of cost-effective, safe and environmentally friendly synthetic routes for the commercial production of intermediates and APIs from kilograms to ton scales.

In addition, we provide manufacturing services for the development and production of small-molecule APIs at our facilities in China and the UK. Our multi-purpose cGMP kilo lab, pilot plants and manufacturing plants are capable of handling advanced intermediates and complex APIs. These facilities are equipped with glass-lined/stainless steel and hastelloy-alloy reactors with sizes ranging from 20—8,000 L.

We have successfully delivered multiple complex APIs with synthesis requiring more than 20 linear steps, involving asymmetric hydrogenations, air- and moisture-sensitive reactions, transitional metal catalysis reactions, high and low temperatures, high pressure and oxidations/reduction reactions. In both our China and UK facilities, we have completed hundreds of cGMP APIs to support Phase I-III clinical trials in the United States, China and Europe.

Material Science and Pre-Formulation

Our material science team provides services for discovery support and solid-state chemistry to solid form screening, process development and early formulation development, including drug discovery support for initial compound CMC profiling and preclinical formulation, pre-formulation of development candidates, polymorph and salt/co-crystal screening for solid form selection, crystallization processes of intermediate and API, control of polymorph and particle size and solid state and physicochemical analysis tailored to compound/material characteristics.

Formulation Development and Manufacturing

Our formulation development team designs, modifies and prepares formulations for oral administration, such as tablet, capsule, solution and suspension, to support preclinical, clinical and commercial needs.

Our cGMP facility manufactures clinical test materials for clinical trials, such as oral liquids and oral solid dosage forms with batch sizes up to 140 kg, and employs conventional technologies including wet granulation, roller compaction, encapsulation, tablet compression, film coating, bottle packaging and blister packaging, and enabling technology, including spray drying and wet milling.

Analytical Development

Our analytical chemists provide comprehensive analytical testing support for process development and the manufacture of drug substances and drug products. Our analytical team adheres to regulatory guidance on supply chain assurance for quality control. Our analytical capabilities include analytical method development and validation and quantitative analysis of drug substances, drug products and impurities which are used to obtain the critical information as below to meet the regulatory submission requirement:

- Reference standard characterization and qualification;
- ICH stability studies for drug substances and drug products;
- Impurity identification, characterization and profiling;
- Genotoxic impurity method development and validation;
- Genotoxic impurity lot analysis and issuing Certificate of Analysis (COAs);
- Trace metal analysis and method development;
- cGMP batch release testing for drug substances, drug product and issuing COAs;
- Process control strategies and analytical QC manufacturing support;
- cGMP NMR services for process support and quantitative NMR for API quantification studies;
- Formulation solubility, dissolution, disintegration and permeability studies; and
- Microbial limit tests and issuing COAs.

Integrated Services

Our integrated drug discovery services team, based in the U.K., the U.S. and China, leads small molecule drug discovery projects for our customers from hit identification to candidate selection. Services provided by our integrated drug discovery service team include CADD, medicinal and synthetic chemistry, DMPK/ADME, *in vitro* biology, *in vivo* pharmacology, safety assessment and discovery process chemistry to support the entire drug discovery process, delivering preclinical candidates. In addition, together with our IND enabling service platform, we provide integrated services to enable IND application generation under GLP/ICH guidelines, which include DMPK, *in vivo* pharmacology, safety assessment, CMC and clinical plan, for IND submission to regulatory authorities such as FDA, NMPA and EMA.

In addition, we have a proven track record of offering customized integrated solutions beyond geographic boundaries. For example, our highly experienced drug discovery team based in U.K. works closely with our technical teams in China to provide a unique service model to meet our customers' needs by fully utilizing the strengths of our U.K. and China teams to accelerate the R&D processes of our customers. Our clinical pharmacology team in the U.S. has worked seamlessly with our China team to conduct FIH studies in the U.S. after IND applications are prepared and submitted by the China team. As of June 30, 2019, we had worked on approximately 100 integrated projects for laboratory services.

OUR CUSTOMERS

We have provided our services to over 1,000 customers worldwide since our inception. Most of our customers are pharmaceutical and biotech companies, including many major global players. We have a diversified customer base, with customers located in North America, China, Europe and the rest of the world accounting for approximately 62.2%, 10.2%, 21.7% and 5.9%, respectively, of our revenue for the year ended December 31, 2018. In addition to large pharmaceutical companies, such as the global top 20 pharmaceutical companies in 2018, we also provide comprehensive and customized services responding to the needs of a growing group of diverse biotech start-ups and virtual pharmaceutical companies. In 2016, 2017, 2018, the six months ended June 30, 2019 and the nine months ended September 30, 2019, we provided pharmaceutical R&D services to 623, 767, 846, 780 and 937 customers, respectively.

We are devoted to enhancing the breadth of our services and providing customized services to target customers with unique needs and demands. We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. Many of our customers return to us for additional projects, and our revenue generated from existing customers increased during the Track Record Period. Revenue generated from our existing customers amounted to RMB1,381.3 million, RMB1,956.1 million, RMB2,753.3 million and RMB1,559.0 million in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively, accounting for 84.5%, 85.3%, 94.7% and 95.3% of our total revenue in each year/period. During the Track Record Period, we achieved 100% retention for our top ten customers.

The total revenue generated from our five largest customers increased from RMB585.7 million for the year ended December 31, 2016 to RMB709.0 million for the year ended December 31, 2017 and further to RMB718.1 million for the year ended December 31, 2018, and increased from RMB350.9 million for the six months ended June 30, 2018 to RMB355.5 million for the six months ended June 30, 2019. Our five largest customers during the Track Record Period, have had relationships with us for a minimum of six years, and none of them is our supplier. In 2016, 2017, 2018 and the six months ended June 30, 2019, our five largest customers together accounted for 35.8%, 30.9%, 24.8% and 21.7%, respectively, of our revenue, and our largest customer accounted for 9.7%, 7.7%, 5.7% and 5.9%, respectively, of our revenue. None of our Directors, their respective close associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest customers during the Track Record Period. Please refer to the paragraph headed "Risk Factors—Risks Relating to Our Business and Our Industry—If we lose any of our key customers, our business and results of operations may be adversely affected" in this prospectus for more information.

The following tables set forth certain information about our five largest customers in terms of revenue (in descending order) generated in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively:

Customer	Years of Relationship and fee models	Services Provided	Revenue	Revenue Contribution	Business Scope of the Customer
		For the Year ended December 31, 2016			
			(RMB'000)		
Customer A	12 years; FTE/FFS	Laboratory, CMC and clinical development services	157,999	9.7%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer B	7 years; FTE/FFS	Laboratory, CMC and clinical development services	154,809	9.5%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer C	11 years; FTE/FFS	Laboratory, CMC and clinical development services	112,061	6.8%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer D	11 years; FTE/FFS	Laboratory, CMC and clinical development services	93,519	5.7%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer E	11 years; FTE/FFS	Laboratory and CMC services	67,349	4.1%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Total			585,737	35.8%	

Customer	Years of Relationship and fee models	Services Provided	Revenue	Revenue Contribution	Business Scope of the Customer
		For the Year ended December 31, 2017			
			(RMB'000)		
Customer A	12 years; FTE/FFS	Laboratory, CMC and clinical development services	176,593	7.7%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer D	11 years; FTE/FFS	Laboratory, CMC and clinical development services	171,138	7.5%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer C	11 years; FTE/FFS	Laboratory, CMC and clinical development services	147,189	6.4%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer B	7 years; FTE/FFS	Laboratory, CMC and clinical development services	141,679	6.2%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer F	6 years; FTE/FFS	Laboratory and CMC services	72,439	3.1%	U.S. based biotech company engaged in research, development and sale of innovative pharmaceutical products
Total			709,038	30.9%	

Customer	Years of Relationship and fee models	Services Provided	Revenue	Revenue Contribution	Business Scope of the Customer
		For the Year ended December 31, 2018			
			(RMB'000)		
Customer A	12 years; FTE/FFS	Laboratory, CMC and clinical development services	165,725	5.7%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer B	7 years; FTE/FFS	Laboratory, CMC and clinical development services	164,458	5.7%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer D	11 years; FTE/FFS	Laboratory, CMC and clinical development services	147,321	5.1%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer C	11 years; FTE/FFS	Laboratory, CMC and clinical development services	138,386	4.8%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer F	6 years; FTE/FFS	Laboratory, CMC and clinical development services	102,170	3.5%	U.S. based biotech company engaged in research, development and sale of innovative pharmaceutical products
Total			718,060	24.8%	

Customer	Years of Relationship and fee models	Services Provided	Revenue	Revenue Contribution	Business Scope of the Customer
		For the Year ended June 30, 2019			
			(RMB'000)		
Customer B	7 years; FTE/FFS	Laboratory, CMC and clinical development services	95,772	5.9%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer D	11 years; FTE/FFS	Laboratory, CMC and clinical development services	79,540	4.8%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer A	12 years; FTE/FFS	Laboratory, CMC and clinical development services	77,999	4.8%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer C	11 years; FTE/FFS	Laboratory, CMC and clinical development services	65,374	4.0%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Customer E	11 years; FTE/FFS	Laboratory, CMC and clinical development services	36,786	2.2%	Multinational company engaged in research, development and sale of innovative pharmaceutical products
Total			355,471	21.7%	

We generally enter into a master service agreement with our customers, and we receive our service fees according to a pre-agreed payment schedule specified in separate contracts or work orders issued pursuant to the master service agreement. We determine the fee level for each discovery, development or manufacturing step based on, among other things, the scope of the services required for achieving each step, the estimated costs and expenses of the required services, the amount of time allocated for achieving the relevant discovery, development or manufacturing step, and the market prices charged for similar services.

Our master service agreements generally have a term ranging from three to five years, unless a customer requires to have a shorter term. Pursuant to the master service agreements, we enter into work orders with our customer for their projects, which set forth project specifications and milestones, project management regime, project schedule and discovery and/or development steps, audit and inspection, minimum insurance coverage, payment terms, confidentiality

obligations of the parties, ownership of intellectual property rights, termination clause and other general terms and conditions. In some cases, our customers may be entitled to terminate the service agreement upon written notice at any time or in the event that a change of control of our Company takes place. During the Track Record Period, we did not experience any material breach of the service agreements with our customers.

Customer Services

We are devoted to providing our customers with world-class pharmaceutical R&D services. Through our globally centralized business development team with solid scientific background, we deliver customer services to our customers without geographic and service boundaries. We assign a dedicated team of scientists and research technicians to each of our customers to provide better support. Our project team actively interacts with a customer's project-management team through emails, periodic reports and conference calls. To facilitate project management, we have developed and maintain an online system allowing a customer's project manager to monitor and report on the progress of its projects.

Our commitment to high quality services helped us to expand our customer base via word-of-mouth referrals. We conduct periodic customer satisfaction surveys with certain key customers, and use measureable key performance indicators to improve our planning, execution, evaluation and support. Our directors confirm that there were no material findings in the inspections and audits conducted by our customers or material product quality complaints received from our customers during the Track Record Period.

In addition, we benefit from our strategic partnership with selected customers. Through know-how sharing and trainings provided during our deep collaboration with these customers, we were able to further improve our technical capabilities and enhance our service excellence. We believe our strong execution capabilities and quality customer services are widely recognized by our customers, which provides us with the opportunity to build confidence and trust between the customers and us, enables us to become our customers' business partners to help them form their pharmaceutical R&D outsourcing strategies, and further reinforces our close relationships with such customers.

OUR FEE MODELS

Our service fee arrangement can be divided into two primary models: (i) a fee-for-service (FFS) model and (ii) a full-time-equivalent (FTE) model. Our revenue generated under the FFS model was primarily from our laboratory, clinical development and CMC services, while our revenue generated under the FTE model was primarily from our laboratory services.

Fee-for-service Model

Under this model, our customers submit their requirements to us and we provide them with our proposal. The proposal sets out the service fee for the services we are required to provide at each step in the discovery, development or manufacturing services that fall under the scope of work in the contract or work order. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step, as well as the corresponding payment. When negotiating our customer contracts, we take into consideration a number of factors, including the nature and complexity of the project and the customer's need for our services.

In a typical agreement under the FFS model, our customers have the right to terminate the agreement without cause with a 30 days' prior written notice. In the event that one party materially breaches any covenants in the agreement and fails to remedy such breach within 30 days, the other party may terminate the agreement.

Full-time-equivalent Model

We also generate income under the FTE model, pursuant to which we allocate employees to the customer's projects at a fixed rate per employee per period of time, otherwise known as "full-time equivalent." During this period of time, the designated employees are dedicated to such customer's project exclusively. We determine the level of service fees based on the number of scientists and research technicians and the amount of time required for completing a given project, among other considerations. The term of our FTE contracts may range from several months to multiple years and are subject to renewal.

In a typical agreement under the FTE model, our customers may terminate the agreement without cause with a 30 days' prior written notice to us. In the event that one party materially breaches any covenants in the agreement and fails to remedy the breach within 30 days, the other party may terminate the agreement.

For details on our revenue recognition model, please refer to the paragraph headed "Financial Information—Critical Accounting Policies and Estimates".

Payment Terms

Under the FFS model, a contract or work order typically comprises a number of tasks, each including several discovery, development and/or manufacturing steps. We bill our customers by task and typically give our customers a credit term between 30 to 90 days. We typically require our customers to make a portion of the corresponding payment upon the commencement of each task and the remaining payment after we complete such task to the satisfaction of our customers. Under a FFS contract or work order, we are typically required to deliver a technical laboratory report, product or samples and/or other deliverables and transfer the relevant data and rights to the customer upon completion of each discovery, development or manufacturing step. Upon the acceptance of such deliverables by our customers, the relevant discovery, development or manufacturing step is deemed to be completed and revenue is recognized.

Under the FTE model, we typically require the customer to make monthly payments for services rendered with a credit term between 30 to 90 days. We typically first calculate a base rate by combining human resource cost, depreciation of equipment, cost of raw material and other expenses. After accounting for our profit margin, we give our customers a quote of monthly or yearly rate and, if accepted, enter into an agreement or a work order with them. We bill our customers based on the actual time and number of scientists we allocate to their relevant project.

SUPPLIERS

Due to our comprehensive service offerings, we procure a wide variety of raw materials, such as experiment reagents, and equipment. The raw materials and equipment are generally readily available in the market through a number of suppliers in quantities adequate to meet our needs. We carefully select our suppliers based on factors including their qualifications, product selection, quality, reputation, pricing, business scale, technological strengths, quality management capabilities and overall services. In addition, we regularly monitor and review the performance of

our suppliers and conduct on-site audits for our key suppliers on a as-needed basis. We have maintained stable relationships with many of our key suppliers. Our five largest suppliers during the Track Record Period, a majority of which are located in China, had over seven years of relationship with us on average, and none of them is our customer.

We adopt a large-scale centralized purchase system for the regular purchase of raw materials commonly and frequently used in daily research and development, production and operations. Our procurement team manages the raw materials' inventory level by monitoring the status of our ongoing projects and incoming new projects and places orders with suppliers for any inventory that is expected to decline below targeted levels. Our procurement team also procures raw materials and equipment in accordance with our business expansion plan or to replace obsolete equipment on an as-need basis. Many of our suppliers offer both equipment and the corresponding raw materials. We primarily source our raw materials and equipment from a variety of suppliers that are located or have sale offices in China. In addition, for equipment and laboratory supplies needed for our R&D services, our procurement department conducts purchases in accordance with the order forms submitted by each department and conduct centralized purchases. We have established a complete supplier management system. We monitor and manage suppliers by setting out new supplier selection criteria and implementing a grading management system and evaluation criteria.

We seek to manage the impact of fluctuations in price of raw materials through various measures, such as acquiring raw materials locally to minimize transport costs, managing our stock levels and purchasing materials on consignment when necessary, and continuing to diversify and expand our supplier pool. During the Track Record Period, we did not encounter any material shortage or delay in the supply of raw materials. There is typically no minimum purchase obligation under our supply contracts. We also enter into one-off supply contracts with certain suppliers. Our suppliers typically extend credit terms to us ranging between 30 to 90 days. We may terminate a supply contract if the quality of products does not meet our quality standards. Our supply agreements with some of our key suppliers also have a renewal provision, allowing us to automatically renew unless prior notice to terminate is given by either party, ranging from 30 to 60 days in advance.

In 2016, 2017, 2018 and the six months ended June 30, 2019, our five largest suppliers together accounted for 34.9%, 15.9%, 12.4% and 10.8%, respectively, of our total purchases, and our largest supplier accounted for 25.0%, 4.0%, 3.1% and 2.7%, respectively, of our total purchases. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material dispute with our suppliers or any material breach of our supply contracts or agreements. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major suppliers.

Since 2011, we leased our Beijing facility for our laboratory and CMC businesses from Beijing Kangtaibo, which was then a related party of ours. The weighted average rental rate paid by us during the Track Record Period was RMB2.11 per square meter per day. Beijing Kangtaibo also provided us with property management and utility (water, gas and electricity) procurement services during the term of the lease. The terms and conditions of the lease and the scope of ancillary services were negotiated on an arm's length basis, and the rental charge and service fees were reasonable and consistent with market prices for similar facilities and services. The above-mentioned lease and ancillary services were terminated after we acquired the Beijing facility from Beijing Kangtaibo in August 2017.

Except for Beijing Kangtaibo, none of our Directors, their respective close associates or shareholders who own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period, none of our major suppliers was also our customer.

The following tables set forth certain information about our five largest suppliers in terms of procurement amount (in descending order) incurred in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively:

Supplier	Location of Business & Years of Relationship	Goods and Services Provided	Purchase amount	Purchase Contribution
			for the Year ended December 31, 2016	
			(RMB'000)	
Beijing Kangtaibo	China; From January 2011 to August 2017	Rental and property management services	137,259	25.0%
Supplier A	China; 11 years	Rental and property management service	19,901	3.6%
Supplier B	China; 15 years	Raw materials	14,172	2.6%
Supplier C	U.K.; 8 years	Raw materials	11,173	2.0%
Supplier D	China; 8 years	Raw materials	9,118	1.7%
Total			191,623	34.9%

Supplier	Location of Business & Years of Relationship	Goods and Services Provided	Purchase amount	Purchase Contribution
			for the Year ended December 31, 2017	
			(RMB'000)	
Supplier E	China; 9 years	Energy source	28,236	4.0%
Supplier A	China; 11 years	Rental and property management service	24,830	3.5%
Supplier C	U.K.; 8 years	Raw materials	21,559	3.1%
Beijing Kangtaibo	China; From January 2011 to August 2017	Rental and property management services	20,763	3.0%
Supplier B	China; 15 years	Raw materials	16,517	2.3%
Total			111,905	15.9%

Supplier	Location of Business & Years of Relationship	Goods and Services Provided	Purchase amount	Purchase Contribution
			for the Year ended December 31, 2018	
			(RMB'000)	
Supplier A	China; 11 years	Rental and property management service	29,495	3.1%
Supplier E	China; 9 years	Energy source	29,290	3.1%
Supplier C	U.K.; 8 years	Raw materials	24,814	2.6%
Supplier B	China; 15 years	Raw materials	18,894	2.0%
Supplier F	China; 3 years	Environmental service	14,745	1.6%
Total			117,238	12.4%

Supplier	Location of Business & Years of Relationship	Goods and Services Provided	Purchase amount	Purchase Contribution
		for the Six Months ended June 30, 2019		
			(RMB'000)	
Supplier G	China; 2 years	Rental and property management service	15,161	2.7%
Supplier A	China; 11 years	Rental and property management service	14,779	2.6%
Supplier E	China; 9 years	Energy source	13,788	2.4%
Supplier C	U.K.; 8 years	Raw materials	9,807	1.7%
Supplier H	U.K.; 3 years	Energy source	8,063	1.4%
Total.			61,598	10.8%

QUALITY MANAGEMENT

We believe that an effective quality management system for procuring raw materials, research and development and manufacturing is critical to ensuring the quality of our services and maintaining our reputation and success. We have established an in-house quality management system and devote significant attention to quality control of raw materials and equipment and have adopted SOPs relating to quality management. We seek to ensure that our services consistently meet high industry standards and requirements. We have established a quality assurance department which is responsible for supervising the implementation of our quality standards. Based on the research and development and specific manufacturing processes of different products, we have established quality control measures for all stages of our operations, covering procurement of raw and auxiliary materials, research and development and process development, manufacturing of advanced intermediates and APIs and product quality disputes.

Quality System of Pharmaceutical R&D

Laboratory Services

We have developed SOPs for quality control (QC) for each technical function throughout the discovery process. The SOPs tailored to each technical characteristics, ensure that every study has a QC process built into the entire operation and research process, starting from the design of a study/project, material and reagent supply, validation of instruments and equipment, execution of the study/project plan, method development and validation, monitoring and/or verification of the execution process, raw data migration and processing/presentation and storage, intermediates and final compound storage/shipping and report writing to study/project closing, etc.

For studies that need to fulfill the regulatory requirement, such as GLP/ICH guidelines from FDA, NMPA and EMA, in addition to the QC process as described above, our Quality Assurance Unit (QAU) works independently and takes quality assurance (QA) measures to ensure that all the steps involved in the studies will follow the GLP/ICH guidelines. SOPs related to QA have been well developed to allow QAU inspection activities such as reviewing study protocols and amendments, conducting in-process inspections for studies, auditing raw data generated by studies and reports, conducting facility inspections and auditing vendors and study subcontractors, to ensure the GLP compliance.

Clinical Development Services

Our clinical development services include clinical research, SMO, regulatory bioanalysis and radiolabeled sciences. All of these functions have established SOPs related to quality control covering all the important steps involved in the clinical development process, tailored to each function's characteristics, to ensure a QC system is built into the entire operation and study process, and, so to ensure the high quality and integrity of the clinical development study. Each function has established a Quality Assurance Department in our clinical development services, in compliance with FDA, EMA and NMPA's guidelines, with the goal that the rights, safety and welfare of all study participants are protected.

While each team in every function has its own QC system established to monitor and verify the important steps involved in a study, our QA system provides another layer of independent inspection of the important activities in a study, so to ensure GCP/SOP/protocol compliance for the study. These activities include protocol development/finalization, site inspection, healthy-volunteer and patient recruitment, investigational drug management, clinical operation, pharmacovigilance, clinical pathology study, bioanalysis of clinical samples, multiple-site management for clinical trial phases II/III/IV studies, data management and biometrics, radiolabeled investigational drug synthesis/storing/shipping, regulatory submission and registration. Our well established QC and QA systems have passed numerous audits by our sponsors and regulatory inspections by FDA, EMA and NMPA.

CMC Services

We have also developed GLP/GMP compliant standard operating procedures for quality control in our manufacturing processes. We have established a quality assurance department to review the integrity of each batch of products manufactured, in order to ensure that quality standards are maintained during the manufacturing process. Quality supervisors take samples from each batch of products and laboratory technicians carry out quality inspections on each batch of finished products and issue inspection reports based on the results. Samples that fail to pass the inspection are disposed of in accordance with the requirements of the operating procedures for substandard products. In addition, our quality supervisors are also responsible for the monitoring and supervision of our workshops to ensure that the cleanliness requirements of our facilities and the quality supervision of our manufacturing processes are maintained and recorded in a faithful manner to ensure the traceability of product quality.

Quality System of Raw Materials and Equipment

We have adopted SOPs for our raw material and equipment procurement. For each of our projects, our procurement team or our customer compiles a list of required raw materials in accordance with our internal policies and procedures, as well as the quality systems required for the respective R&D services. We assess the material risks associated with such raw materials and determine their specifications. We carefully select raw material suppliers and conduct background checks on supplier candidates. Each step of our raw material procurement is documented for our internal records as well as customer audits. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issue relating to our raw materials.

In addition, we purchase equipment and spares only from selected reputable suppliers in accordance with our internal policies and procedures. We conduct inspections and relevant testing on the incoming equipment to ensure that the equipment is in satisfactory condition and fully functional before we accept delivery from our suppliers. We also communicate with the technical and customer support staff of our equipment suppliers regularly for the maintenance and upgrade of our equipment.

INTELLECTUAL PROPERTY

Our Intellectual Property

As a pharmaceutical R&D service provider, our scientists and technicians are devoted to high quality R&D services to our customers. In order to stay at the forefront of the industry and maintain our competitiveness, we also invest in developing a number of proprietary technologies and service platform with an emphasis on methodologies, processes, analytics, systems and other know-how to further enhance our R&D service capabilities. While these technologies may not directly contribute significantly to our revenue, they further expand our R&D capabilities and enhance our operating efficiency, thereby improving our competitiveness in wining new business. For example, our proprietary technologies related to radiolabelled science platform, such as ^{14}C-material recycling technologies and microautoradiography (MARG)/immunohistochemistry (IHC) based imaging technologies developed by us, demonstrated and further strengthened our clinical development capabilities. In addition, our proprietary know-how on the applications of various novel catalyst for organic coupling reactions and novel enzymes for catalyzing organic reactions, further strengthened our leadership in laboratory services. As of June 30, 2019, we had seven registered patents in China, one registered patents in the United States, one registered patent in Japan and one registered patent in the European Union. In addition, as of June 30, 2019, we had 55 registered trademarks in China, four registered trademarks in the United States, two registered trademarks in the European Union, two registered trademark in the United Kingdom, one registered trademark in Japan and one registered domain name. Please refer to the paragraph headed "Statutory and General Information—2. Further Information About Our Business—C. Our Intellectual Property Rights" in Appendix VII to this prospectus for further details of our material intellectual property rights. Our success depends on our ability to protect our own proprietary rights. Our employees are bound by confidentiality obligations under their employment contracts and proprietary information and inventions assignment agreement and are prohibited from disclosing intellectual property of our customers and us.

Protection of Our Customers' Intellectual Property

Due to the nature of our services, we have access to a significant amount of intellectual property owned by our customers. Our customers retain ownership of all intellectual property associated with their projects, including the intellectual property that they provide to us and the intellectual property arising from the services we provide. We enter into agreements with all of our scientists and research technicians under which they assign all of the intellectual property they create during their employment to us or our customers, as applicable, and waive all relevant intellectual property rights or claims. All of our scientists and research technicians have agreed to disclose and assign all inventions conceived by them during their term of employment.

The protection of our customers' intellectual property is critical to win customers' trust. Protecting the proprietary rights of our customers has been a top priority since our inception. During the Track Record Period and up to the Latest Practicable Date, to our knowledge, none of our employees breached these confidentiality obligations in a material respect.

We take measures to ensure the safe retention of all of the documentation necessary to establish intellectual property ownership should any disputes arise in the future. Prior to entering into any service agreement with a potential customer, our customer service staffs would discuss with such customer on their pharmaceutical R&D project and conduct a search on our completed and pending projects for internal assessment on risks of potential IP infringement and conflict of interest. We also adopted measures to protect our customers' intellectual property rights, such as

designating different teams to work on such projects, setting up an internal screening system/firewall, and setting up access control systems in our laboratories which can only be accessed by scientists and technicians that work on relevant projects. This physical and operational separation of customer projects ensures enhanced security and protection of our customers' intellectual property. The laboratory configuration and setup, research plan, operating procedures, information technology and security protocols all can be tailored to our customers' specifications. This process not only significantly enhances the protection of key original information, but also increases customers' confidence in us.

Despite the measures we take to protect our intellectual property and that of our customers, unauthorized parties may attempt to obtain and use information that we regard as proprietary. Under our contractual arrangements with our customers, we typically undertake to indemnify our customers for damages resulting from any third party intellectual property infringement claims that are solely based on our intellectual property, while our customers typically undertake to indemnify us for damages resulting from any third party intellectual property infringement claims other than those that are solely based on our intellectual property. Please refer to the paragraph headed "Risk Factors—Risks Relating to Our Business and Our Industry—If we fail to protect the intellectual property rights or confidential information of our customers, we will be subject to legal liabilities and our reputation may be damaged" in this prospectus for more information. During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigation and were not aware of any material infringement of our intellectual property rights that would have a material adverse effect on our business.

RESEARCH AND DEVELOPMENT

As a pharmaceutical R&D service provider, we devote a substantial portion of resources to continuously improving our scientific and technical capabilities through R&D projects with our customers. In addition, we are committed to internal research and development of technological foundation, capabilities and experience, which allows us to remain at the forefront of the latest technology trend in the pharmaceutical industry, develop novel solutions for our customers and maintain our competitive position. We strive to further enhance our technical capability through internal research and development, cooperation with universities and research institutions, collaboration with our customers and development and improvement of the technologies acquired by us.

For example, we have put in place our chemoproteomics platform, which has multiple applications in drug R&D such as facilitating identification of novel biological targets and hits and conducting safety evaluation in a unique way. Furthermore, our technology platform combining microautoradiography and immunohistochemistry with radiolabeled testing helps us to better understand the mechanism of action for efficacy and safety. These cutting-edge technologies provide new insights for our customers to accelerate their drug discovery and development programs. These newly established technology platforms through internal R&D activities or collaborations with top-notch academic laboratories help our customers to design their drug R&D programs from new perspectives to accelerate their R&D processes. Meanwhile, during the process of conducting these R&D activities, we have developed a R&D team which is highly capable of providing innovative and value-added R&D solutions to our customers.

Our research and development process is carefully managed and allow us to maintain our leadership in the marketplace. During the Track Record Period, our research and development expense amounted to RMB16.4 million, RMB22.6 million, RMB31.6 million, and RMB26.7 million in 2016, 2017, 2018 and the six months ended June 30, 2019, representing 1.0%, 1.0%, 1.1% and 1.6% of our revenue in the same period.

BUSINESS DEVELOPMENT AND MARKETING

We market our pharmaceutical R&D services directly to pharmaceutical and biotech companies through a globally centralized business development team who are equipped with solid science background that are dedicated to understand the demands of existing and potential customers and work closely with our technical experts to prepare proposals and to secure customers. Our business development team interacts with potential and existing customers regularly to better understand their scientific needs and development strategies. During those meetings, we highlight the advantages of expediting the customer's drug R&D efforts through our flexible, end-to-end integrated drug research and development service platform.

Our business development team's profound understanding of customers' needs further enable us to provide customized pharmaceutical R&D services. Leveraging our end-to-end service offerings, we are able to cross-sell our services of different scientific functions to our customers and in the meantime offer our comprehensive services covering the drug discovery and development stages as their pharmaceutical R&D projects progress further. Customer referrals represent a large percentage of our new customer acquisition. Since our inception, our senior management team continues to maintain direct relationships with our key customers. In addition, we participate in trade conferences, trade shows and academic conferences.

Our business development and marketing specialists are strategically located in key pharmaceutical R&D hotspots in China, the U.S. and the U.K., to conduct on-the-ground activities. As of June 30, 2019, our business development and marketing team had 40 members. As our business and customer base continue to increase, we plan to further expand our business development and marketing force accordingly.

OUR FACILITIES AND OFFICES

As of the Latest Practicable Date, we had twelve operation sites and branch offices, which include sites located in Beijing, Tianjin, Xi'an, Nanjing, Shanghai and Ningbo in China; Baltimore, Maryland and Germantown, Maryland in the U.S.; and Cardiff, Rushden and Hoddesdon in the U.K.

Site	Function/ Services Provided	Owned/Leased	Approximately Gross Floor Area (sq.m.)
Beijing, China	Laboratory and CMC services, headquarters	Owned/Leased	133,751
Changping, Beijing, China	Laboratory services	Leased	20,228
Tianjin, China[(1)]	CMC services	Owned	20,289
Ningbo, China[(2)]	Laboratory and CMC services	Owned	77,950
Xi'an, China	Laboratory services	Leased	16,252
Shanghai, China[(3)]	Laboratory services	Leased	12,328
Nanjing, China[(4)]	Clinical development services	Leased	2,753
Baltimore, Maryland, U.S.[(5)]	Clinical development services	Leased	3,656
Germantown, Maryland, U.S.[(6)]	Clinical development services	Leased	3,176
Cardiff, U.K.[(7)]	Clinical development services	Leased	4,800
Rushden, U.K.[(7)]	Clinical development services	Leased	5,709
Hoddesdon, U.K.[(8)]	Laboratory and CMC services	Owned	40,506

Notes:

(1) The phase 2 of our Tianjin facility (reflecting a total GFA of approximately 6,978 sq.m.) commenced operation in the second half of 2017.
(2) Our Ningbo facility commenced operation in the second half of 2018.
(3) Our Shanghai facility commenced operation in the second half of 2018.
(4) We acquired our Nanjing facility in the first half of 2019.
(5) We acquired our Baltimore facility in the first half of 2017.
(6) We acquired our Germantown facility in the first half of 2017.
(7) We acquired our Cardiff and Rushden facilities in the first half of 2016.
(8) We acquired our Hoddesdon facility in the first half of 2017.

FUTURE EXPANSION

We plan our future expansion carefully based on customers demand and market potential. We enjoy a high level of customer loyalty and have developed solid working relationships with many customers. Our revenue generated from existing customers accounted for 94.7% of our total revenue in 2018. Our business and development team have regular communications with our customers to better understand their strategic plans, project progress and pipeline products, enabling us to evaluate the R&D services they would request from us in the future. In addition, as a leading fully-integrated pharmaceutical R&D service platform, we are well positioned to capture growth opportunities arising from the continued industry landscape evolvement. During the Track Record Period, our revenue increased significantly from RMB1,634.2 million in 2016 to RMB2,294.1 million in 2017 and further to RMB2,908.1 million in 2018, representing a CAGR of 33.4%, which was higher than the global CRO market growth during the same period. In the future, we plan to deepen our collaborations with existing customers and broaden customer base. Specifically, we plan to apply our global operations, well-established R&D platforms and cutting-edge technologies to customers in China, where the pharmaceutical R&D service market size is expected to grow from US$8.2 billion in 2018 to US$29.9 billion in 2023, according to Frost & Sullivan. Based on our customers' future demand and industry potential, our management can optimize our resource allocation, scientist recruiting and capacity expansion plans.

We intend to continue to expand our capacity and capabilities across all of our business units in China. For our Ningbo facility, we plan to build, upgrade and expand the facility to primarily engage in the drug discovery and early stage clinical development businesses. For our Tianjin facility, we plan to build, upgrade and expand the facility to primarily engage in the CMC business. In addition, we also plan to build additional production facility in China to further expand our CMC business.

We also plan to further complement our biologics capability by establishing our pharmaceutical R&D services platform for the discovery and development of biologics, which potentially includes constructing and furnishing relevant facilities, expanding office space, purchasing equipment and materials, hiring, training and retaining talents, and acquiring new technologies, businesses or services. For our expansion in the clinical development services, we plan to make additional investment in facilities and acquiring new technologies, businesses or services.

In addition, we may consider expanding our capacity and/or capabilities through potential acquisitions of CRO and CMO companies with cutting-edge R&D technologies and/or businesses in the U.S., Europe, Japan or China that provide pharmaceutical R&D services we identify as attractive and that allow us further complement our service offerings (in particular the clinical development and CMC services) and better support our partners and customers' needs in accordance with our future expansion plans and market dynamics analysis. We may also consider

strategic alliances as well as additional investments in our existing associate companies to create additional value for our partners. As of the Latest Practicable Date, we have not yet identified any specific target for our potential acquisitions.

As of the Latest Practicable Date, we anticipate that the estimated total capital expenditure of each of the projects will be funded using the net proceeds from the Global Offering. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

PROPERTIES

Owned properties

As of June 30, 2019, we owned a total of two real estate properties in China, which have a total gross floor area ("GFA") of approximately 135,198 sq.m., and one real estate property in Hoddesdon, U.K., which has a total GFA of approximately 40,506 sq.m., and we had obtained building ownership certificates for each of these properties. We have obtained the building ownership certificate for our Ningbo facility with a total GFA of approximately 77,950 sq.m. after June 30, 2019, and we are currently in the process of obtaining the building ownership certificate for the second phase of our Tianjin facility with a total GFA of approximately 6,978 sq.m. In addition, we own the land parcel of approximately 67,500 sq.m. in Hoddesdon, U.K. where our facilities locate. All of these real estate properties are subject to security interests in favor of banks to secure bank loans. As of the Latest Practicable Date, we held the title for each of these real estate properties.

Leased properties

Leased properties located in China

As of June 30, 2019, we leased a total of 10 properties with a total GFA of approximately 63,794 sq.m. from unrelated parties (excluding the GFA of dorm rooms leased for our employees) in China for our manufacturing and operation activities. For nine of such leased properties, the lease registrations for these properties with the relevant regulatory authorities have not been completed. For one of the properties which have a total GFA of 12,328.3 sq.m., property ownership certificates have yet to be obtained by the lessors, while land use certificates and relevant permits for construction from competent authorities have been obtained. Our PRC legal adviser is of the view that the lease agreement for this property is legal and binding under the PRC law. In addition, we also leased an aggregate of 11 properties in China as dorm rooms for our employees. For three of these properties which are used as the dorm rooms for our employees, the lessors were not able to provide the property ownership certificates. In addition, substantially all of the lease registrations for these properties with the relevant regulatory authorities have not been completed. Our PRC legal adviser is of the view that the lessors' failure to obtain property ownership certificates and to complete relevant lease registration would not have a material adverse impact on our operations.

Leased Properties in the United Kingdom

As of June 30, 2019, we leased three properties in the United Kingdom with a total GFA of approximately 10,509 sq.m.

Leased Properties in the United States

As of June 30, 2019, we leased seven properties in the United States with a total GFA of approximately 6,832 sq.m.

Land use rights

As of June 30, 2019, we held land use rights for a total of eight pieces of land in China with total site area of approximately 564,363.4 sq.m. and we had obtained land use right certificates, five of which with total site area of approximately 273,803.40 sq.m. had been pledged to banks to secure our bank loans.

EMPLOYEES

As of June 30, 2019, we had a total of 6,477 employees, including 6,015 in China and the rest of Asia, 340 in the U.K., and 122 in the U.S.. As of June 30, 2019, we had 2,326 employees who have obtained a master's or higher degree, with 407 holding a Ph.D. or equivalent degree. In 2016, 2017 and 2018, our revenue per scientist and technician was RMB454,966, RMB519,737, and RMB545,921, respectively.

The table below sets forth a breakdown of our employees by function and by geography as of June 30, 2019:

	China and Rest of Asia	U.S.	U.K.	Total
Scientists and technicians	5,227	84	261	5,572
Sales and marketing	12	21	7	40
Management and administration	776	17	72	865
Total	6,015	122	340	6,477

The table below sets forth the respective numbers of our scientists and technicians by our business segments at the end of each period during the Track Record Period:

	December 31, 2016	December 31, 2017	December 31, 2018	June 30, 2019
Laboratory services	2,505	3,048	3,706	3,679
Clinical development services	181	252	275	478
CMC services	906	1,114	1,346	1,415
Total scientists and technicians	3,592	4,414	5,327	5,572

We believe that our quality employees are the key to our success. In order to better attract, recruit and retain quality employees. We provide our employees with opportunities to work on cutting-edge drug development projects with world-class scientists, as well as opportunities to continued academic learning in our Pharmaron College. As of June 30, 2019, we had 126 employees that completed trainings and visiting scholar programs at Pharmaron College. We also aim to establish a collaborative work environment that encourages them to develop their career with us. In addition, we have an effective training system, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of our workforce. Our orientation process covers subjects such as corporate culture and policies, work ethics, introduction to the drug development process, intellectual property protection, quality management and occupational safety. Our periodic on-the-job trainings cover streamlined technical know-how of our integrated services, environmental, health and safety management systems and mandatory training required by applicable laws and regulations. In addition, we have adopted an employee share incentive scheme to provide an additional means to attract, motivate, retain and reward our employees.

In support of our growth, we regularly hold on-campus recruiting events at reputable universities and have launched an internship program that offers university students the opportunity to work at our laboratories. In addition, we regularly review our capabilities and make

adjustments to ensure we have the right mix of expertise to meet the demand for our services. We believe that our reputation, work environment, training system, remuneration package and employee share incentive scheme are advantages that attract qualified candidates.

We believe that we maintain a good working relationship with our employees. We have established a labor union that represents employees with respect to the promulgation of bylaws and internal protocols. We had not experienced any material labor disputes or any material difficulty in recruiting employees for our operations during the Track Record Period.

COMPETITION

We face competition from other pharmaceutical R&D service providers, including CROs and CMOs. The market in which we operate is highly fragmented. The five largest CROs and CMOs by revenue accounted for 22.2% of the global pharmaceutical R&D service market by revenue in 2018, which amounted to US$84.7 billion, according to Frost & Sullivan. We are the second largest pharmaceutical R&D service provider in China and one of the top three drug discovery R&D service providers globally by revenue in 2018, according to Frost & Sullivan. There are also a substantial number of small- to medium-sized pharmaceutical R&D service providers, both multinational and locally based, which compete for market share.

We face competition mainly from pharmaceutical R&D service providers around the world. We compete with other market players based on factors including quality and breadth of services, ability to protect our customers' intellectual property or other confidential information, timeliness of delivery, ability to meet relevant quality standards for different types of services such as GLP and cGMP, depth of customer relationships, pricing and geographical coverage.

In terms of barriers to entry, according to Frost & Sullivan Report, the CRO and CMO services market generally requires high upfront costs and time commitment, significant financial and time commitment in recruiting experienced talents, a successful track record and a solid reputation in order to attract customers.

Our core competitive edge is our integrated service offering that covers the entire research and development process, as well as our ability to provide our customers with an end-to-end service platform that saves customers' time and money. In addition, our sizable scientific team enables us to respond to our customers' increasing demand and customized requests for external pharmaceutical R&D services in a timely manner. We believe that we are able to maintain our competitiveness by leveraging our established position in the global pharmaceutical R&D service market and capitalizing on the opportunities offered by the growing pharmaceutical market in China.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations, which govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. These laws and regulations also require us to obtain permits from governmental authorities for certain operations. Please refer to the section headed "Regulatory Overview" in this prospectus for more details.

Our environmental, safety and health department is responsible for overseeing the implementation of our measures and procedures to ensure our compliance with the applicable environmental protection and health and safety laws and regulations and the health and safety of our employees. These measures and procedures include (i) adopting protective measures at our facilities, (ii) promulgating safety operation procedures relating to various aspects of our integrated services, such as the use and storage of chemicals and operation of equipment, (iii) conducting safety training for all employees, (iv) conducting regular safety and compliance inspections of our facilities, (v) engaging professional waste-disposal companies to manage the disposal of hazardous and biohazardous waste, (vi) coordinating third-party occupational health assessments and third-party fire safety inspections, (vii) overseeing the safety of experiments through approvals of experiment plans and regular monitoring throughout the experiments, and (viii) maintaining a system of recording and handling accidents and implementation of relevant policies, and a health and work safety compliance record.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our total cost of compliance with environmental protection and health and safety laws and regulations was RMB4.5 million, RMB16.1 million, RMB26.9 million and RMB14.0 million, respectively. These costs did not include historical capital expenditures for plants and equipment that may be attributable to such compliance. We do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forwards. However, because the requirements imposed by these laws and regulations may change, we may be unable to accurately predict the cost of complying with these laws and regulations. We expect that we will incur approximately RMB20.0 million in the last six months of 2019 to comply with environmental protection and health and safety laws and regulations.

During the Track Record Period, we were not subject to any administrative penalties relating to environmental, health or safety compliance that would have a material adverse effect on our financial position or results of operations as a whole.

CERTIFICATIONS, PERMITS AND LICENSES

We are required to obtain and renew certain certifications, permits and licenses in order to provide our services. Please refer to the section headed "Regulatory Overview" in this prospectus for more information about the material certifications, permits and licenses required for our business operations in China, the United States and the United Kingdom. As of the Latest Practicable Date, we had obtained all of the material certifications, permits and licenses that are needed for our operations, and all of such certifications, permits and licenses are within their respective effective periods. We have not experienced any material difficulty in renewing such certifications, permits and licenses during the Track Record Period. During the Track Record Period, we were not subject to any material administrative penalties relating to maintenance and renewal of our material certifications, permits and licenses.

The following table sets forth a summary of the key certifications, licenses and permits that we hold as of the Latest Practicable Date, in particular pharmaceutical product certificates, laboratory qualification certificates and permits, and manufacturing and operation permits:

Holder	Primary Business	Issuing Authority	Certificate Name	Certificate Number	Issue Date	Expiry Date
Our Company	Laboratory and CMC services	Beijing Municipal Ecological Environment Bureau	Radiation Safety Permit (輻射安全許可證)	京環輻證S0028	2016.11.14	2021.6.12
		Beijing Municipal Science & Technology Commission	License for use of laboratory animals (實驗動物使用許可證)	SYXK(京)2017-0014	2017.4.18	2022.4.18
		—	Foreign Trader Filing (對外貿易經營者備案登記表)	02107599	2016.12.27	N/A
		Beijing Customs District P.R.China	Registration Certificate of Customs Declaration (報關單位註冊登記)	1113230166	2016.7.12	N/A
		Beijing Entry-Exit Inspection and Quarantine Bureau	Registration Certificate of Self-Inspection Organization (自理報檢單位備案登記)	1100608779	2013.2.4	N/A
		Beijing Entry-Exit Inspection and Quarantine Bureau	China Entry and Exit Inspection and Quarantine Filing (出入境檢驗檢疫報檢企業備案)	16110716114200000648	2016.11.17	N/A
Pharmaron TSP . . .	Laboratory services	NMPA	GLP certification approval for drugs (藥物非臨床研究質量管理規範認證批件)	GLP15010078 GLP14001058	2015.12.2 2014.2.17	Passed on-site check on August 11, 2017; regular check every 3 years
			GLP certification approval for drugs (FDA)	N/A	2013.9.13	Pass on-site check on 2013.9.13; no expiry date
		Beijing Municipal Ecological Environment Bureau	Radiation Safety Permit (輻射安全許可證)	京環輻證O0020	2017.10.13	2022.10.12
		Beijing Municipal Science & Technology Commission	License for use of laboratory animals (實驗動物使用許可證)	SYXK(京)2016-0025	2016.7.6	2021.7.6
		—	Foreign Trader Filing (對外貿易經營者備案登記表)	01726249	2016.1.19	N/A
		Beijing Customs District P.R.China	Registration Certificate of Customs Declaration (報關單位註冊登記)	1112340052	2013.8.1	N/A
		Beijing Entry-Exit Inspection and Quarantine Bureau	Registration Certificate of Self-Inspection Organization (自理報檢單位備案登記)	1100608176	2012.6.13	N/A
Pharmaron Tianjin . .	CMC services	Tianjin Customs District P.R.China	Registration Certificate of Customs Declaration (報關單位註冊登記)	120724066W	2015.1.22	N/A
		—	Foreign Trader Filing (對外貿易經營者備案登記表)	01728694	2014.7.1	N/A
		Tianjin Entry-Exit Inspection and Quarantine Bureau	China Entry and Exit Inspection and Quarantine Filings (出入境檢驗檢疫報檢企業備案)	16101009595100000102	2016.10.10	N/A

Holder	Primary Business	Issuing Authority	Certificate Name	Certificate Number	Issue Date	Expiry Date
		Environmental Protection Bureau of Tianjin Economic Technological Development Area	Pollutant Discharge Permit (排污許可證)	91120116675978429B001P	2017.12.28	2020.12.27
Pharmaron Ningbo . .	Investment holding	Ningbo Customs District P.R.China	Registration Certificate of Customs Declaration (報關單位註冊登記)	3320963549	2016.2.19	N/A
		Ningbo Entry-Exit Inspection and Quarantine Bureau	China Entry and Exit Inspection and Quarantine Filing (出入境檢驗檢疫報檢企業備案)	16031514572300000694	2016.3.16	N/A
		—	Foreign Trader Filing (對外貿易經營者備案登記表)	01890270	2016.1.20	N/A
Pharmaron Xi'an . . .	Laboratory services	State Administration of Foreign Exchange, Shaanxi Branch	Registration Certificate of Foreign Exchange in Tariff-Free Zone (保稅監管區域外匯登記證)	610000-060	2010.7.23	N/A
		—	Foreign Trader Filing (對外貿易經營者備案登記表)	00831573	2015.12.11	N/A
		Xi'an Customs District P.R.China	Registration Certificate of Customs Declaration (報關單位註冊登記)	6101540012	2013.8.1	N/A
		Shaanxi Entry-Exit Inspection and Quarantine Bureau	Registration Certificate of Self-Inspection Organization (自理報檢單位備案登記)	6100602093	2010.7.27	N/A
Pharmaron Ningbo Tech	Laboratory and CMC services	Science Technology Department of Zhejiang Province	License for use of laboratory animals (實驗動物使用許可證)	SYXK(浙)2018 -0014	2018.7.17	2023.7.17
		Zhejiang Food and Drug Administration	Drug Manufacturing License (藥品生產許可證)	浙20180008	2018.3.15	2023.3.14
Pharmaron UK. . . .	Laboratory, CMC and clinical development services	Natural Resources Wales	Permit to carry on radioactive substances activities (for Cardiff site)	EPR/FB3093NH EPR/CB3294DL	2017.1.4	/
		Environment Agency	Permit to carry on radioactive substances activities (for Rushden site)		2017.1.5	/
		Natural Resources Wales	Hazardous Waste Producer Registrations (for Cardiff site)	CAK504	2019.3.18	2020.3.17
		Department for International Trade	Open General License (for Cardiff site)	GBOGE2017/00102	2017.1.25	/
		Home Office	Category 1 Drug Precursors Category 2 Drug Precursors (for Cardiff site)	544761	2019.7.3	2020.7.2
		ICO	DATA Protection Act Certificate (for Cardiff site)	ZA223102	2016.12.15	2019.12.14
		Health and Safety Executive	Radioactive Sealed Source Authorization (for Hoddesdon site)	/	2017.1.13	/
		Environment Agency	Environmental permit to carry on radioactive substances activities (for Loughborough site)	EPR/JB3194DK	2018.1.18	/

Holder	Primary Business	Issuing Authority	Certificate Name	Certificate Number	Issue Date	Expiry Date
Pharmaron ABS . . .	Clinical development services	Montgomery County, Maryland	Hazardous Materials Use Certificate	40646 40647	/	2020.9.1
					/	2019.12.31
		Maryland, USA Department of the Environment	Radiation Machine Facility Registration and Certificate	31-2809		
		Maryland, USA Department of the Environment	Radioactive Material License	MD-31-368-01	2015.5.19	2022.5.31
		Maryland, USA Department of the Environment	Radiation Machine Facility Registration and Audit	/	/	/
		US Environmental Protection Agency	Hazardous Waste Report	/	/	/
Pharmaron CPC . . .	Clinical development services	Maryland, USA Department of Health Office of Health Care Quality	Medical Laboratory Permit	060087	2018.7.1	/
		COLA	Laboratory Accreditation	22387	2018.12.17	2020.12.18
		Maryland, USA Department of Health and Mental Hygiene Office of Controlled Substances	Certificate of Registration to Dispense Controlled Dangerous Substances	490653	/	2020.1.31
		Administration Drug Enforcement Administration	Controlled Substance Registration Certificate	RS0514770	2019.2.25	2020.3.31
		Centers for Medicare & Medicaid Services	CLIA Certificate of Accreditation	21D1054578	2017.10.12	2021.10.11

In the United States, we have not received any warning letters from the FDA and have not been subject to any administrative penalties during the Track Record Period.

INSURANCE

We maintain the following types of insurance:

- Property insurance policies covering physical damage to, or loss of, our buildings and their improvements, equipment, office furniture and inventory;
- Employer's liability insurance generally covering death or work-related injuries of employees;
- General commercial liability and professional errors and omissions insurance covering product liability claims arising from the use or consumption of our drug products, and claims arising from negligence in connection with our services to customers;
- Public liability insurance covering certain incidents involving third parties that occur on or in the premises of our Company; and
- Directors' and officers' liability insurance.

We do not maintain key-man life insurance on any of our senior management or key personnel, or business interruption insurance. Our Directors consider that the insurance policies maintained by us are in line with the industry norm in China and are sufficient to cover the potential losses and damages of our facilities. While we believe that our insurance coverage is adequate, our insurance coverage may be insufficient to cover any claim for product liability, damage to our

fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources. Please refer to the paragraph headed "Risk Factors—Risks related to Our Business and Our Industry—Our insurance coverage may not be sufficient" in this prospectus.

LEGAL MATTERS

Legal Proceedings

We may from time to time be involved in contractual disputes or legal proceedings arising out of the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any claims, damages or losses which would have a material adverse effect on our financial position or results of operations as a whole. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings which would have a material adverse effect on our financial position or results of operations as a whole had been initiated or threatened against us.

Legal Compliance

During the Track Record and up to the Latest Practicable Date, we have not had any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our Company as a whole.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

We recognize that risk management is critical to the success of our business operations. Key operational risks that we face include changes in the overall market conditions and regulatory environment relating to the global pharmaceutical R&D service market, our ability to offer quality drug discovery, development and manufacturing services, our ability to manage anticipated growth and to execute on our growth strategies and our ability to compete with other pharmaceutical R&D service providers. Please refer to the section headed "Risk Factors" in this prospectus for a discussion of various risks and uncertainties that we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. Please refer to the paragraph headed "Financial Information—Qualitative and Quantitative Disclosure about Market Risk" in this prospectus for a discussion of these market risks.

In order to meet these challenges, we have established a risk management framework, which is summarized as follows:

- Our Board is in charge of our overall risk management and is responsible for the effectiveness of our enterprise risk management. Our Board (i) drives the establishment of our enterprise risk management system; (ii) determines the overall objectives of our risk management; (iii) approves the policies related to risk management; (iv) approves the risk management strategy and the evaluation criterion of the major risks, major events and important matters; (v) understands the material risks and management reality of the company; (vi) approves the risk management report submitted by our senior management; (vii) supervises the development of the risk management culture of our Company; (viii) decides other major issues related to risk management.

- Our audit committee and our internal audit department are mainly responsible for the design of the evaluation system of the enterprise risk management, development of the evaluation and supervision policies, execution of the evaluation and supervision activities and issuance of the audit/evaluation report.

- Our manager administrative council is responsible for the execution of our enterprise risk management, which includes: (i) guiding the development of our Company's risk management system; (ii) reviewing the evaluation report in connection with the rationale of our Company's risk management policies and its effectiveness; (iii) guiding the establishment of the risk management mechanism in each department of our Company and supervise their execution; (iv) periodically reviewing the progress of our Company's risk management and report to the our senior management; (v) coordinating and dealing with other major issues related to the risk management.

- We have established a risk management working group (the "RMWG") to lead our risk management. The members of the RMWG consist of management of our major operational and functional departments and they are mainly responsible for the planning, driving, organizing, coordinating and supervising of the risk management of each department and/or our Company. We also set up an internal control department, which implements the detailed works assigned by the RMWG, to coordinate the daily risk management work implemented by all of our departments and subsidiaries.

Internal Controls

We have engaged an internal control consultant (the "Internal Control Consultant") to perform certain agreed-upon procedures in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our Company's entity-level controls and internal controls of various processes, including environment controls, risk assessment, control activities, information and communication, internal monitoring, sales and receivables management, purchases and payment management, inventory management, production management, R&D management, human resources and remuneration management, treasury management, fix asset and intangible asset management, reporting and disclosure, tax, insurance, contract management, information system management and CRO (Contract Research Organization). The Internal Control Consultant performed procedures between May 2019 and August 2019 on our Company's system of internal control.

We have adopted a series of internal control policies, measures and procedures to facilitate and ensure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, among other things. During the Track Record Period, we have regularly reviewed and enhanced our internal control system. The following is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have set up an internal control department and an internal audit department, which are responsible for the overall internal control development and assessment of our Company.

- Our internal control department is responsible for issuing and amending internal control policies, measures and procedures to ensure that we maintain comprehensive and effective internal control.

- Our internal audit department organizes periodic inspections relating to the implementation of and adherence to the internal controls of each business department. We conduct internal control inspections through on-site visit, random sampling and other means. Upon completion of on-site visits, our internal audit department delivers to the head of the relevant business department information and statistics related to the risks discovered during the visits and any suggested remedial action. The head of the relevant business department is then required to carry out the relevant remedies.

- The head of each business department is responsible for implementing relevant internal control policies, measures and procedures and conducting regular review regarding the implementation of such policies, measures and procedures.

- We have implemented relevant internal control policies, measures and procedures for all of our business departments regarding each of the drug discovery, development and manufacturing stages, educating the relevant employees about such policies, measures and procedures, addressing their questions, submitting suggested revisions to such policies, measures and procedures to the internal control department and regularly monitoring the implementation of such policies, measures and procedures.

- We have adopted various measures and procedures for all of our business operations, including project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety. For more information, please refer to the paragraphs headed "—Quality Management", "—Intellectual Property" and "—Health, Safety and Environmental Matters" in this section. We provide our employees with regular training on these measures and procedures as part of our employee training program. We also regularly monitor the implementation of these measures and procedures through our internal audit department at each stage of the drug development process.

- Our internal control department has established a whistleblowing mechanism regarding complaints against our Directors, senior management, employees, customers and other business partners, and independent and fair investigation is conducted on any reported complaints. The internal control department has also established a hotline and specific email for our employees to report their complaints and inquiries. In addition, the internal control department has established whistleblowing policies that regulate the reporting channels, case officers, investigation procedures and results reports related thereto, and that explicitly state that retaliation against whistleblowers is prohibited.

- We have engaged Guotai Junan Capital Limited as our compliance adviser to provide advice to our Directors and management team for at least the period commencing from the Listing Date and ending on the date that our Company publishes its first full financial year results regarding matters relating to the Listing Rules.

OUR CONNECTED PERSONS

We have entered into agreements with our connected persons in our ordinary and usual course of business. The table below sets forth such connected persons and the nature of their connection with our Group. Upon Listing, the transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

Name	Connected relationship
Dr. LOU	Dr. LOU is our chairman, chief executive officer, executive Director and a substantial shareholder of our Company. As such, Dr. LOU is our connected person.
Ms. ZHANG	Ms. ZHANG is the spouse of Dr. LOU and as such, she is our connected person.
Mr. LOU	Mr. LOU is our chief operating officer, president, executive Director and a substantial shareholder of our Company, he is also the spouse of Ms. ZHENG. As such, Mr. LOU is our connected person.
Ms. ZHENG	Ms. ZHENG is our executive vice president, executive Director and a substantial shareholder of our Company, she is also the spouse of Mr. LOU. As such, Ms. ZHENG is our connected person.
Beijing Anikeeper Biotech Co., Ltd. 北京安凱毅博生物技術有限公司 ("Anikeeper")	Anikeeper is held as to 75% by Hangzhou Nafeng Investment Co., Ltd. 杭州納灃投資有限公司, which is in turn held as to 50% by Mr. LOU Guoqiang, brother of Dr. LOU and Mr. LOU, and 20% by Ms. ZHENG. As such, Anikeeper is our connected person.

OUR CONTINUING CONNECTED TRANSACTIONS

(A) Continuing Connected Transactions fully exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. Financial assistance received by our Group

In connection with our business operations and activities, our Company requires financings from time to time and may take out bank loans from commercial banks. As their normal and usual practice, the commercial banks from whom we obtain such financings may request for our Directors or other connected persons to provide guarantees for such loans. The table below sets forth a summary and the principal terms of the guarantees provided by our connected persons for our bank loans (the "Financial Assistance") which will remain effective upon the Listing:

Guarantors	Principal amount of the loan	Term of the guarantee
Dr. LOU and Mr. LOU	RMB80,000,000.00	From January 10, 2019 to June 13, 2023
Dr. LOU, Mr. LOU and Ms. ZHENG	RMB22,500,000.00	From January 16, 2018 to June 22, 2021
Dr. LOU, Mr. LOU, Ms. ZHENG and a few other subsidiaries of our Group	RMB13,125,000.00	From March 24, 2017 to March 23, 2023
Dr. LOU and Ms. ZHANG	RMB382,500,000.00	From December 9, 2016 to January 28, 2028

Guarantors	Principal amount of the loan	Term of the guarantee
Mr. LOU and Ms. ZHENG	RMB79,040,055.89	From March 13, 2019 to June 24, 2021
Dr. LOU, Mr. LOU and Ms. ZHENG . .	RMB103,120,500.00	From January 18, 2019 to December 20, 2021
Dr. LOU and Mr. LOU	RMB6,508,965.96	From May 17, 2019 to September 19, 2019

Our Directors are of the view that the transactions underlying the Financial Assistance as described above are conducted on normal commercial terms or better. Our Company also confirms that the Financial Assistance is not secured by the assets of our Group. Our Company is able to obtain alternative financings using other securities such as mortgages, pledges or charges and does not rely on the Financial Assistance provided by our connected persons. As such, there is no financial reliance on our connected persons.

Implications under Listing Rules: As the Financial Assistance received by our Company and provided by our connected persons is conducted on normal commercial terms or better; and they are not secured by the asserts of our Group, the Financial Assistance will be fully exempted under Rule 14A.90 of the Listing Rules upon Listing.

(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement Requirements but exempt from the Independent Shareholders' Approval Requirement

1. Study Animals Procurement Framework Agreement

Parties: Our Company (as the purchaser) and Anikeeper (as the supplier).

Principal terms: Our Company has entered into a study animals procurement agreement dated April 1, 2019 and a supplemental study animals procurement agreement dated October 25, 2019 with Anikeeper (together, the "Study Animals Procurement Framework Agreement") pursuant to which Anikeeper has agreed to sell to our Company and our Company has agreed to purchase from Anikeeper animals to be used for scientific experiments. The principal terms of the Animals Procurement Framework Agreement are as follows:

- Anikeeper will sell mice to our Company to be used for scientific experiments;
- with respect to specific product requests that may be identified in the future, our Company and Anikeeper will enter into separate purchase orders to provide for the specific terms and conditions according to the principles provided in the Study Animals Procurement Framework Agreement;
- unless agreed by both parties after arm-length negotiations and with reference to the market prices, quantities, delivery methods and feeding conditions of the animals and historical transaction amounts, the purchase price shall be calculated and determined according to the price list as set out in the Study Animals Procurement Framework Agreement. Such prices shall be no less favourable than prices at which our Group pays independent third parties for comparable transactions;
- the Study Animal Procurement Framework Agreement is effective from April 1, 2019 to March 31, 2022 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

Reasons for the transactions: We need animals for the provision of pharmacology services. Anikeeper is one of the providers of such animals in the PRC and given our history of business relationship, they can provide the required animals that suit our needs appropriately.

Historical amount: For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, the total purchase prices paid to Anikeeper were approximately RMB1.72 million, RMB1.96 million, RMB2.68 million and RMB2.11 million, respectively.

Annual cap: For the years ending December 31, 2019, 2020 and 2021, the total transaction amount under the Study Animals Procurement Framework Agreement shall not exceed RMB5.00 million, RMB7.00 million and RMB10.00 million, respectively.

Basis of cap: In determining the above annual caps, our Directors have considered: (i) the increasing business demand for our pharmacology services, which we expect to continue to increase steadily in the coming few years and is in line with our expansion plan after the Listing; (ii) the historical amount of payments paid by our Group to Anikeeper for the purchase of animals; and (iii) the expected demand for the relevant animals to be purchased from Anikeeper.

Implication under the Listing Rules: As the highest applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Study Animals Procurement Framework Agreement will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76 of the Listing Rules, the transactions under the Study Animals Procurement Framework Agreement will be subject to the reporting, announcement and annual review requirements but will be exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION OF DIRECTORS

Our Directors (including independent non-executive Directors) consider that the above partially-exempt continuing connected transactions have been and will be entered into in our Group's ordinary and usual course of business and on normal commercial terms or better, are fair and reasonable, and in the interest of our Company and Shareholders as a whole. The proposed annual caps in respect of the partially-exempt continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION OF THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us in relation to the partially-exempt continuing connected transactions as set out above, and have also discussed these transactions with us and obtained various representations from us. Based on the aforementioned due diligence work, the Joint Sponsors are of the view that (i) the partially-exempt continuing connected transactions as set out above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for these partially-exempt continuing connected transactions are fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

WAIVER APPLICATION FOR PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions described under the paragraph headed "—(B) Continuing Connected Transactions subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement" in this section constitute our continuing connected transactions under the Listing Rules, which are exempt from the independent Shareholders' approval requirements but subject to the reporting, annual review, announcement requirements of the Listing Rules.

In respect of these partially-exempt continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, a waiver exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed "—(B) Continuing Connected Transactions subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement" in this section, subject to the conditions that (i) these partially-exempt continuing connected transactions will be carried out in compliance with the requirements of the Listing Rules and that we shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules; and (ii) the aggregate amounts of the partially-exempt continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the announcement requirement for which waiver has been granted, we will comply with all other requirements under Chapter 14A of the Listing Rules.

Our Board consists of 12 Directors, of whom three (3) are executive Directors, four (4) are non-executive Directors and five (5) are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets out certain information in respect of the members of the Board.

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and Responsibilities	Relationship with other Directors, Supervisors and members of senior management
Dr. LOU Boliang (樓柏良)	56	Chairman, chief executive officer and executive Director	October 27, 2016	July 1, 2004	Responsible for the overall management, strategic planning and corporate development of our Group	Brother of Mr. LOU; Brother-in-law of Ms. ZHENG
Mr. LOU Xiaoqiang (樓小強)	51	Chief operating officer, president and executive Director	October 27, 2016	July 1, 2004	Responsible for overall operations of the business of our Group	Brother of Dr. LOU; Spouse of Ms. ZHENG
Ms. ZHENG Bei (鄭北)	52	Executive vice president and executive Director	October 27, 2016	July 1, 2004	Responsible for the administration and asset management of our Group	Spouse of Mr. LOU; Sister-in-law of Dr. LOU
Mr. CHEN Pingjin (陳平進)	49	Non-executive Director	October 13, 2017	October 13, 2017	Responsible for providing guidance on corporate strategy and governance to our Group	None
Mr. HU Baifeng (胡柏風)	38	Non-executive Director	October 13, 2017	October 27, 2016	Responsible for providing guidance on corporate strategy and governance to our Group	None
Mr. LI Jiaqing (李家慶)	46	Non-executive Director	October 27, 2016	March 12, 2007	Responsible for providing guidance on corporate strategy and governance to our Group	None
Mr. ZHOU Hongbin (周宏斌)	46	Non-executive Director	October 27, 2016	October 27, 2016	Responsible for providing guidance on corporate strategy and governance to our Group	None
Mr. DAI Lixin (戴立信)	95	Independent non-executive Director	October 27, 2016	October 27, 2016	Supervising and providing independent advice to the Board	None
Ms. LI Lihua (李麗華)	55	Independent non-executive Director	October 27, 2016	October 27, 2016	Supervising and providing independent advice to the Board	None
Ms. CHEN Guoqin (陳國琴)	47	Independent non-executive Director	October 27, 2016	October 27, 2016	Supervising and providing independent advice to the Board	None
Ms. SHEN Rong (沈蓉)	50	Independent non-executive Director	October 27, 2016	October 27, 2016	Supervising and providing independent advice to the Board	None
Mr. TSANG Kwan Hung Benson (曾坤鴻)	54	Independent non-executive Director	August 15, 2019 (effective from the Listing Date)	the Listing Date	Supervising and providing independent advice to the Board	None

EXECUTIVE DIRECTORS

Dr. LOU Boliang, aged 56, is the chairman, chief executive officer and an executive Director of our Company. Dr. LOU co-founded our Group together with Mr. LOU and Ms. ZHENG in July 2004. He is primarily responsible for the overall management, strategic planning and corporate development of our Group. He is also actively involved in formulating our business development strategy and developing strategic relationship with our customers. He also serves as a director of most of the subsidiaries of our Group.

Since November 2006, Dr. LOU has been a director of Pharmaron Holdings Limited, which was our business and asset holding vehicle prior to the restructuring in connection with our A Share Offering.

Dr. LOU has over 25 years of experience in the life sciences and biotech industry. Prior to founding our Group, Dr. LOU worked at several life sciences and biotech companies such as Cytel Corporation, Ontogen Corporation and Advanced SynTech (formerly known as Helios Health, Inc.).

Dr. LOU obtained a master's degree and a doctorate degree in science at the Shanghai Institute of Organic Chemistry (中國科學院上海有機化學所) in May 1986 and May 1989, respectively. From 1990 to 1994, he conducted post-doctoral research at the University of Montreal in Canada.

Dr. LOU's awards and recognitions include:

- President's Special Award of the Chinese Academy of Sciences (1989);
- Beijing Overseas Returnee Entrepreneur Award (2008);
- National Thousand Talent Program (千人計畫) awarded by the PRC government (2009); and
- Bo-Da Contribution Award from the Office of Beijing Economic and Technological Development Area (BDA) (2010).

Mr. LOU Xiaoqiang (樓小強), aged 51, is the chief operating officer, president and an executive Director of our Company. Mr. LOU co-founded our Group together with Dr. LOU and Ms. ZHENG in July 2004. Mr. LOU is primarily responsible for the overall operations of the business of our Group. In particular, Mr. LOU is responsible for the execution of our Group's growth strategy both in China and globally. He also serves as a director at several subsidiaries of our Group.

From March 2007 to January 2016, Mr. LOU was a director of Pharmaron Holdings Limited.

Prior to joining our Group, he worked in sales and management roles at various electronics companies.

Mr. LOU was previously a manager, supervisor and/or director of three PRC companies which had their business licenses revoked for not submitting its annual corporate filings[1]. Based on the opinion of our PRC Legal Adviser[3], our Directors are of the view that the revocation of the business license of these companies does not impact Mr. LOU's competence as a director under Rule 3.08 and Rule 3.09 of the Listing Rules.

Mr. LOU obtained a bachelor's and a master's degree in material science and engineering from Beijing University of Aeronautics and Astronautics (北京航空航天大學) in July 1990 and March 1993, respectively. Mr. LOU obtained a master's degree in business administration from the China-Europe International Business School (中歐國際工商學院) in September 2009.

Ms. ZHENG Bei (鄭北), aged 52, is the executive vice president and an executive Director of our Company. Ms. ZHENG co-founded our Group together with Dr. LOU and Mr. LOU in July 2004. Ms. ZHENG is primarily responsible for the administration and asset management of our Group. In particular, she is responsible for the facilities expansion of our Group.

From March 2007 to January 2016, Ms. ZHENG was a director of Pharmaron Holdings Limited.

Ms. ZHENG was previously a manager, supervisor and/or director of two PRC companies which had their business licenses revoked for not submitting its annual corporate filings[2]. Based on the opinion of our PRC Legal Adviser[3], our Directors are of the view that the revocation of the business license of the above companies does not impact Ms. ZHENG's competence as a director under Rule 3.08 and Rule 3.09 of the Listing Rules.

Ms. ZHENG received her master's degree in law from Peking University (北京大學) in July 1992.

1 Shaoxing Kangbi Medical Technology Co. Ltd. (紹興康比醫藥技術有限公司) ("Shaoxing Kangbi"), Beijing Yizhian Information Security Technology Co., Ltd. (北京易指安信息安全技術有限公司) ("Beijing Yizhian"), and Beijing Jiahuida Technology Co. Ltd. (北京嘉匯達科技有限公司) ("Beijing Jiahuida"). Shaoxing Kangbi and Beijing Jiahuida were dormant companies and Beijing Yizhian was engaged in sales of fingerprint identification products immediately prior to its license being revoked, respectively. The licenses were revoked in November 2004, October 2003 and October 2000, respectively.

2 Shaoxing Kangbi and Beijing Jiahuida, which had no actual operation of business prior to its license being revoked in November 2004 and October 2000, respectively.

3 On the basis that (i) no dishonesty or fraudulent act on the part of Mr. LOU or Ms. ZHENG had been involved in the license revocation of these companies or business enterprises; and (ii) 15 years have passed since the license revocation of these companies or business enterprises, our PRC Legal Adviser advised that Mr. LOU and Ms. ZHENG may act as the legal representative, director, supervisor or senior management of other PRC companies.

NON-EXECUTIVE DIRECTORS

Mr. CHEN Pingjin (陳平進), aged 49, is our non-executive Director. Mr. CHEN is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. CHEN joined our Group on October 13, 2017.

Since April 2016, Mr. CHEN has served as a deputy general manager of Gold Stone Investment Co., Ltd. (金石投資有限公司) ("Gold Stone Investment"), a subsidiary of CITIC Securities Co., Ltd. (中信証券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600030) where he has successively served various roles from December 2006 to March 2016.

Mr. CHEN obtained his bachelor's degree in electrical engineering from East China Jiaotong University (華東交通大學) in July 1992. He obtained his master's degree in information economics from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in April 1998.

Mr. HU Baifeng (胡柏風), aged 38, is our non-executive Director. Mr. HU is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. HU joined our Group on October 27, 2016 and was our Supervisor from October 2016 to October 2017.

Since March 2018, he has served as a board director of Ampleon Cooperatief UA, a company primarily engaged in the financial holdings business in the Netherlands. Since February 2017, Mr. HU has served as a director of Gold Stone Investment. From May 2014 to January 2017, Mr. HU served as a director at CITIC M&A Fund. From 2006 to 2013, he worked at the investment department of several companies.

Mr. HU obtained his bachelor's degree in economics from Hunan University (湖南大學) in June 2003. He obtained his master's degree in economics from the University of Ottawa in Canada in October 2005.

Mr. LI Jaqing (李家慶), aged 46, is our non-executive Director. Mr. LI is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. LI joined our Group on March 12, 2007. From March 2007 to January 2016, Mr. LI was a director of Pharmaron Holdings Limited.

Since 2007, he has served as a managing director of Legend Capital. From December 2011 to February 2018, he served as a director of Wuxi Lead Intelligent Equipment Co., Ltd. (無錫先導智能裝備股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300450). From March 2011 to February 2014, he served as a supervisor of Shanghai Amarsoft Information Technology Co., Ltd. (上海安碩信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300380). From September 2010 to April 2018, Mr. LI served as a director of Yunnan Hongxiang Yixintang Pharma Co., Ltd. (雲南鴻翔一心堂藥業(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002727). From 2001 to 2007, he successively served as vice president, senior vice president, and executive director of Legend Capital.

Mr. LI obtained his dual bachelor's degree in mechanical engineering and economic management and a master's degree in management from Tsinghua University (清華大學) in July 1996 and July 1999, respectively. He obtained his master's degree in business administration from the Engineering School of Paris in France in June 2001.

Mr. ZHOU Hongbin (周宏斌), aged 46, is our non-executive Director. Mr. ZHOU is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. ZHOU joined our Group on October 27, 2016.

Since September 2015, he has served as a director of Milkyway Chemical Supply Chain Service Co., Ltd. (密爾克衛化工供應鏈服務股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603713). Since June 2015, he has served as a supervisor of Guangzhou Kingmed Diagnostics Group Co., Ltd. (廣州金域醫學檢驗集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603882). Since April 2015, he has served as a managing director of Legend Capital. From 2005 to 2015, he successively served as investment manager, investment vice president, investment director and executive director of Legend Capital.

Mr. ZHOU obtained his bachelor's degree in urban construction and master's degree in engineering from Wuhan University (武漢大學) in July 1994 and June 1997, respectively. He obtained his doctorate degree in management from Fudan University (復旦大學) in July 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DAI Lixin (戴立信), aged 95, was appointed as an independent non-executive Director on October 27, 2016. Mr. DAI is primarily responsible for supervising and providing independent advice to the Board.

Mr. DAI has over 70 years of experience in the chemical sciences industry. In 1953, Mr. DAI was assigned by the Chinese Academy of Sciences (中國科學院) to work in the Shanghai Institute of Organic Chemistry (上海有機科學研究所) (the "SIOC"), where he has continued his study of organic chemistry till now. He served successively in SIOC as an assistant researcher, associate researcher and since 1986 as a research professor. From 1950 to 1953, he served in administration positions in the Shanghai Iron and Steel Company (上海鋼鐵公司) and the Shanghai Bureau of Minerals and Metallurgy (上海礦冶局). In 1948, he joined the Shanghai Third Iron and Steel Factory (上海鋼鐵公司第三鋼鐵廠) as an engineer in the analytical laboratory. From 1947 to 1948, he worked as a teacher in Zhong-Hua Vocational School (中華職業學校).

Mr. DAI obtained his bachelor's degree from the Chemistry Department of Zhejiang University (浙江大學) in 1947. In 1993, Mr. DAI was elected as an academician of the Chinese Academy of Sciences. He has published more than 200 academic papers and 11 books and has authorized 13 patents in China. He has supervised 38 students to obtain doctorate degrees and 3 students to obtain master degrees. He is a member of the Chinese Chemical Society (中國化學會) and also a member of Shanghai Society of Chemistry and Chemical Industry (上海市化學化工學會), and currently an honorary chairman of the latter society. Mr. DAI has won twice the National Natural Science 2nd Class Awards (國家自然科學獎二等獎) in 2002 and in 2013, the Ho Leung Ho Lee Foundation Science and Technology Progress Award (何梁何利基金科學與技術進步獎) in 2002 and the Chiral Chemistry Lifetime Achievement Award of Chinese Chemical Society (中國化學會手性化學成就獎) in 2014, and the Lifetime Achievement Award by the Chinese Chemical Society in 2018.

Ms. LI Lihua (李麗華), aged 55, was appointed as an independent non-executive Director on October 27, 2016. Ms. LI is primarily responsible for supervising and providing independent advice to the Board.

Since May 2017, she has been a lawyer at Beijing Huamao & Guigu Law Firm (北京市華貿硅谷律師事務所). From May 2013 to March 2017, she was a lawyer at Beijing Zhong Yi Law Firm (北京市眾一律師事務所).

Ms. LI obtained her master's degree in law from Peking University (北京大學) in July 1995.

Ms. CHEN Guoqin (陳國琴), aged 47, was appointed as an independent non-executive Director on October 27, 2016. Ms. CHEN is primarily responsible for supervising and providing independent advice to the Board.

Since February 2001, she has been a lawyer at S&P Law Firm (北京市尚公律師事務所), a law firm based in Beijing, where she currently serves as a director and senior partner.

Ms. CHEN obtained her bachelor's degree in economics from Xiamen University (廈門大學) in July 1995. Ms. CHEN obtained her master's degree in law from the Beijing University of International Business and Economics (北京對外經濟貿易大學) in June 2006.

Ms. SHEN Rong (沈蓉), aged 50, was appointed as an independent non-executive Director on October 27, 2016. Ms. SHEN is primarily responsible for supervising and providing independent advice to the Board.

Since July 1991, she successively served various roles at Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)) (formerly known as Shanghai Academy of Social Sciences CPAs (上海眾華滬銀會計師事務所)) and currently serves as a senior partner.

Ms. SHEN obtained her bachelor's degree in economics at the Shanghai University of Finance and Economics (上海財經大學) in July, 1991. She obtained her master's degree in business administration at Maastricht School of Management in the Netherlands in August, 2002.

Mr. TSANG Kwan Hung Benson (曾坤鴻), age 54, was appointed as an independent non-executive Director on August 15, 2019 (effective from the Listing Date). Mr. TSANG is primarily responsible for supervising and providing independent advice to the Board.

Since July 2018, he has served as an independent director and chairman of the audit committee of Athenex Inc., a company listed in the United States (NASDAQ: ATNX). Since July 2017, he has served as a director of the board of Puritek Canada Inc., the Canadian investment arm of Puritek China Company. Since July 2014, he has served as a director of the board of Hydraservices Inc., a waste management and odour control solutions company based in Canada. From October 2017 to December 2018, he served as an executive-in-residence adviser at ShangPharma Innovation Inc., an early stage pharmaceutical company based in the United States. From March 2010 to June 2015, he served as the chief financial officer of ATA Inc., a large scale computer-based testing service provider listed in the United States (NASDAQ: ATAI). From November 2010 to March 2013, he served as an independent director at ShangPharma Corp., a pharmaceutical R&D contract service organization company previously listed in the United States (NYSE: SHP), which was privatized in September 2013.

From July 2006 to February 2009, he served as the chief financial officer of Wuxi Pharma Tech Cayman Inc., a pharmaceutical R&D contract service organization company previously listed in the United States (NYSE: WX), which was privatized in December 2015. From 1988 to 2006, Mr. Tsang served in finance and audit roles at various companies.

Mr. TSANG obtained his Chartered Accountant certificate in Canada and Hong Kong in 1991 and 1993, respectively. He is a member (non-practising) of the Hong Kong Institute of Certified Public Accountants. He obtained his bachelor's degree in commerce and his master's degree in business administration at McMaster University in Canada in June 1987 and May 1988, respectively.

SUPERVISORS

The following table sets forth certain information in respect of our Supervisors:

Name	Age	Position	Date of appointment as Supervisor	Date of joining our Group	Roles and Responsibilities
Dr. YANG Kexin (楊珂新) . . .	56	Chairman of the Supervisory Committee	October 27, 2016	July 1, 2004	Supervision of our Company's operations and financial situation
Mr. LIU Jun (劉駿).	29	Supervisor	October 13, 2017	October 13, 2017	Supervision of our Company's operations and financial situation
Ms. ZHANG Lan (張嵐)	37	Employee representative Supervisor	October 27, 2016	April 5, 2006	Supervision of our Company's operations and financial situation

Dr. YANG Kexin (楊珂新), aged 56, was appointed as the chairman of the Supervisory Committee on October 27, 2016 and is primarily responsible for the overall operation of the Supervisory Committee and supervision of the performance of the Directors and senior management members. Dr. YANG joined our Group on July 1, 2004 and is currently our vice president of chemical technology.

Dr. YANG obtained his master's degree in organic chemistry at Lanzhou University (蘭州大學) in June 1986. He obtained his doctorate degree in organic chemistry at the University of Calgary in Canada in November 1992.

Mr. LIU Jun (劉駿), aged 29, was appointed as a Supervisor on October 13, 2017. Mr. LIU is primarily responsible for the supervision of the performance of the Directors and senior management members.

Since March 2018, he has served as a board director of Ampleon Netherlands B.V., a company primarily engaged in the electronic components manufacturing business in the Netherlands. Since February 2017, he has served as a vice president at Gold Stone Investment, where he is responsible for project investment and post-investment management. Since October 2013, he has successively served as senior manager and vice president at CITIC M&A Fund, where he is primarily responsible for fund establishment and management.

Mr. LIU obtained his bachelor's degree in chemistry at the Renmin University of China (中國人民大學) in June 2011. He obtained his master's degree in financial mathematics at University of Chicago in June 2012.

Ms. ZHANG Lan (張嵐), aged 37, was appointed as the employee representative Supervisor on October 27, 2016 and is primarily responsible for the supervision of the performance of the Directors and senior management members. Ms. ZHANG joined our Group on April 5, 2006 and currently serves as our associate director.

Ms. ZHANG obtained her bachelor's degree in English at Tangshan Teacher's College (唐山師範學院) in Hebei, China in June 2005.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above and in this prospectus, each of our Directors and Supervisors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, Supervisors, senior management or substantial shareholders of our Company as at the Latest Practicable Date; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

Name	Age	Position	Date of appointment as senior management	Date of joining our Group	Roles and Responsibilities
Dr. YANG Hua (陽華)	57	Chief scientific officer	October 27, 2016	July 16, 2007	Responsible for the overall research and scientific development strategy for the integrated services platform of our Group
Mr. LI Shing Chung Gilbert (李承宗)	41	Chief financial officer, Board secretary	October 27, 2016	January 11, 2008	Responsible for the overall financial function of our Group

Dr. YANG Hua (陽華), aged 57, is our chief scientific officer. He joined our Group in July 2007 as our chief scientific officer and is primarily responsible for the overall research and scientific development strategy for the integrated services platform of our Group. Since March 2017, he has also served as a director of one of our subsidiaries.

Prior to joining our Group, he successively served in various roles, including assistant director, at AstraZeneca R&D Montreal. Since joining our Group in 2007, Dr. YANG has extensively engaged in the service R&D platform building, encompassing discovery, preclinical and clinical development and their integration.

Dr. YANG obtained his doctorate degree at The Victoria University of Manchester (currently known as the University of Manchester) in England in November 1990. He also conducted his post-doctoral research at the University of Montreal in Canada. Dr. YANG is a co-author and co-inventor for 46 peer-reviewed scientific publications and patent applications.

Mr. LI Shing Chung Gilbert (李承宗), aged 41, is our chief financial officer and secretary of our Board. He joined our Group in January 2008 as our financial controller and was appointed as our chief financial officer in January 2015. He was appointed as the secretary of the Board in October 2016 and is primarily responsible for the overall financial function of our Group. In particular, he is responsible for the financing and M&A activities of our Group. Mr. LI also serves as a supervisor or director at several subsidiaries of our Group.

Prior to joining our Group, Mr. LI had served at various roles in accounting and financial areas. From 2000 to 2003, he served as assistant manager of KPMG, a multinational financial audit, tax and advisory firm.

Mr. LI obtained his bachelor's degree in business administration from the Hong Kong University of Science and Technology in November 2000. Mr. LI obtained his master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in July 2012. Mr. LI is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants and a Chartered Financial Analyst.

COMPANY SECRETARY

Ms. MAK Po Man Cherie is our company secretary. Ms. MAK is the Vice President of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 15 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial. Ms. MAK holds a Master of Corporate Governance degree. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants.

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles and the corporate governance practice prescribed in the Hong Kong Listing Rules, we have formed four board committees, namely, the audit committee of the Board (the "Audit Committee"), the remuneration and appraisal committee of the Board (the "Remuneration and Appraisal Committee"), the nomination committee of the Board (the "Nomination Committee") and the strategy committee of the Board (the "Strategy Committee").

Audit Committee

We have established the Audit Committee with terms of reference in compliance with the relevant PRC laws and regulations and Rule 3.21 of the Hong Kong Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Audit Committee consists of Ms. SHEN Rong, Ms. LI Lihua, Ms. CHEN Guoqin, Dr. LOU and Ms. ZHENG. Pursuant to the board resolutions of our Company dated August 14, 2019, Dr. LOU and Ms. ZHENG will resign from their positions as members of the Audit Committee upon Listing. Ms. SHEN Rong has been appointed as the chairperson of the Audit Committee and is our independent non-executive Director with the appropriate professional qualifications. The main duties of the Audit Committee include but are not limited to:

- monitoring and evaluating the work of the external auditor;
- supervising the implementation of the internal audit system of our Company;
- being responsible for the communications among the management level of the company, the internal and external audit;
- reviewing and commenting on the financial reports of our Company;

- examining the financial reporting system, risk management and internal control systems of our Company;
- making recommendations to our Company on the appointment, reappointment and removal of the external auditor;
- performing daily management duties and implementing control on connected transactions; and
- performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of our Company are listed.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee with terms of reference in compliance with relevant laws and regulations of the PRC and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Remuneration and Appraisal Committee consists of Ms. SHEN Rong, Dr. LOU, Mr. LOU, Ms. LI Lihua and Ms. CHEN Guoqin, with Ms. SHEN Rong being the chairperson of the committee. The main duties of the Remuneration and Appraisal Committee include but are not limited to:

- formulating remuneration policies for Directors and senior management in accordance with the respective scope, responsibilities and significance of Directors and senior management and remuneration levels of similar positions in other enterprises within the same industry;
- making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policies;
- monitoring the implementation of remuneration system of our Company for the Directors and senior management;
- assessing the fulfillment of duties of Directors and senior management of our Company and appraising their annual performance;
- determining or making recommendations to the Board, with delegated responsibility, the remuneration packages of individual Directors and senior management;
- reviewing and approving compensation payable to Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- reviewing and managing the share incentive scheme(s) of our Company, including determining the scope of the eligible participants and conditions of a grant and auditing the exercise conditions; and
- performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of our Company are listed.

Nomination Committee

We have established the Nomination Committee with terms of reference in compliance with the relevant laws and regulations of the PRC and paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Nomination Committee consists of Ms. CHEN Guoqin, Dr. LOU, Ms. ZHENG, Ms. SHEN Rong and Ms. LI Lihua, with Ms. CHEN Guoqin being the chairperson of the committee. The main duties of the Nomination Committee include but are not limited to:

- making recommendation to the Board on its size and composition to complement the Company's business operation and shareholding structure;
- reviewing and making recommendations to the selection standard and procedure of Directors and senior management;
- identifying individuals suitably qualified to become Directors and senior management and selecting or making recommendations to the board on the selection of individuals nominated for directorships or senior management positions;
- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement our Company's corporate strategy;
- assessing the independence of independent non-executive Directors; and
- performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of our Company are listed.

Strategy Committee

We have established the Strategy Committee, which consists of Dr. LOU, Mr. LOU, Mr. CHEN Pingjin, Mr. LI Jiaqing and Mr. DAI Lixin, with Dr. LOU being the chairperson of the Strategy Committee. The main duties of the Strategy Committee include but are not limited to:

- researching and recommending on long-term development strategy of our Company;
- researching and recommending on significant capital expenditure, investment and financing projects of our Company;
- researching and recommending on major capital operation (including but not limited to the increase or reduction of registered share capital, issuance of bonds, subsidiary merger, separation, dissolution or change of company form, profit distribution plan and make up for losses program), asset management project, and annual financial budget plan of our Company;
- researching and recommending on significant matters relating to the development of our Company;

- monitoring the above matters and assessing, examining and recommending on significant changes; and

- performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of our Company are listed.

CORPORATE GOVERNANCE

Code Provision A.2.1 of the Corporate Governance Code

In view of Dr. LOU's experience, personal profile and his roles in our Company as mentioned above and that Dr. LOU has assumed the role of chief executive officer of our Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Company that upon Listing, Dr. LOU acts as the chairman of the Board and continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Dr. LOU and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Board Diversity

Our Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

As at the date of this prospectus, our Board consists of eight (8) male members and four (4) female members with one (1) Director of below 40 years old, five (5) Directors of age 41 to 50 years old, five (5) Directors of 51 to 60 years old and one (1) Director over 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

EMOLUMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, employee representative Supervisor and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances, discretionary bonus and benefits in kind. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate amount of emolument (including salaries, remuneration, pension, discretionary bonus, share-based compensation and other welfares) paid to our Directors for the three years ended December 31, 2018 and the six months ended June 30, 2019 were approximately RMB6.1 million, RMB7.0 million, RMB8.2 million, and RMB3.0 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to the Directors for the year ending December 31, 2019, will be approximately RMB9.0 million.

For the three years ended December 31, 2018 and the six months ended June 30, 2019, the aggregate amount of emolument paid to the five highest paid individuals of our Group, including Directors, were approximately RMB16.9 million, RMB12.2 million, RMB13.3 million and RMB4.9 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals of our Company as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Company during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Hong Kong Listing Rules, is contemplated, including share issues and share repurchases;

(c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Hong Kong Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute the annual report of the first full financial year commencing after the Listing and such appointment may be subject to extension by mutual agreement.

This section presents certain information regarding our share capital prior to and following the completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, our registered and issued share capital was RMB656,293,575, all of which are listed on the Shenzhen Stock Exchange.

	Number of Shares	Percentage of issued share capital
		(%)
A Shares in issue	656,293,575	100.00

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, the Over-allotment Option is not exercised and no options are granted or exercised under the A Share Incentive Scheme, our registered and issued share capital will be as follows:

	Number of Shares	Approximate percentage of issued share capital
		(%)
A Shares in issue	660,370,962	85.00
H Shares in issue	116,536,100	15.00
Total	776,907,062	100.00

Immediately following the completion of the Global Offering, assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, the Over-allotment Option is exercised in full and no options are granted or exercised under the A Share Incentive Scheme, our registered and issued share capital will be as follows:

	Number of Shares	Approximate percentage of issued share capital
		(%)
A Shares in issue	660,370,962	83.13
H Shares in issue	134,016,500	16.87
Total	794,387,462	100.00

CLASSES OF OUR SHARES

According to the Mandatory Provisions, domestic Shares and H Shares are regarded as different classes of Shares. Therefore, we have two classes of Shares, which include (i) domestic Shares, namely A Shares (PRC listed Shares issued and subscribed for in RMB within the PRC); and (ii) overseas listed Shares, namely H Shares (overseas listed foreign invested Shares listed in Hong Kong). A Shares and H Shares are all ordinary Shares in the share capital of our Company. The Shenzhen-Hong Kong Stock Connect, which was launched on December 5, 2016, has established a stock connect mechanism between the PRC and Hong Kong. However, apart from certain qualified domestic institutional investors in the PRC and the qualified PRC investors under the Shenzhen-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. On the other hand, A Shares can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors or the Hong Kong and overseas investors under the Shenzhen-Hong Kong Stock Connect and must be subscribed for and traded in RMB.

Under our Articles of Association, A Shares and H Shares are all ordinary shares and regarded as different classes of Shares. The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in Appendix VI to this prospectus. However, the procedures for approval by separate classes of Shareholders shall not apply:

(i) upon approval by a special resolution of the Shareholders in a general meeting, either separately or concurrently once every 12 months, issue of A Shares and H Shares of not more than 20% of each of our existing issued A Shares and H Shares;

(ii) where our plan to issue A Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval of the relevant securities regulatory authority under the State Council; and

(iii) where the transfer of the A Shares held by holders of our A Shares to foreign investors and the listing on overseas stock exchange are approved by the securities regulatory authority under the State Council. For more details, please refer to the paragraph headed "—Transfer of our A Shares for Listing and Trading on the Hong Kong Stock Exchange as H Shares" in this section.

The differences between the two classes of Shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in Appendix VI to this prospectus.

Except for the differences above, A Shares and H Shares will however rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date in this prospectus. All dividends in respect of the H Shares are to be calculated in RMB and paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in RMB. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of A Shares, dividends in the form of Shares will be distributed in the form of additional A Shares.

TRANSFER OF OUR A SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE AS H SHARES

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering.

If any holder of our A Shares wishes to transfer its A Shares to overseas investors for listing and trading on the Hong Kong Stock Exchange, it must obtain the approval of the relevant competent PRC regulatory authorities, including the CSRC for the transfer and conversion of the A Shares and the approval of the Hong Kong Stock Exchange for the listing and trading of the converted H shares, as well as in compliance with the relevant procedures. To the best knowledge of our Company, such conversion may involve the following procedures:

(i) The holder of A Shares is to obtain the requisite approval of the CSRC or the authorized securities regulatory authorities of the State Council for the conversion and the transfer of all or part of its A Shares into H Shares. There is no assurance that the approval can be obtained.

(ii) We may apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and we must obtain prior approval from the Hong Kong Stock Exchange before the converted H Shares can be listed and traded on the Hong Kong Stock Exchange.

(iii) The holder of A Shares must request us that we remove its A Shares from the A Share register, attaching the relevant documents of title together with the request.

(iv) Subject to obtaining the approval of the Board and the Hong Kong Stock Exchange, we would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holder with H Share certificates for such specified number of H Shares.

(v) The specified number of A Shares to be converted to H Shares are then re-registered on the H Share register maintained in Hong Kong on the conditions that:

    (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificate; and

    (b) the admission of the H Shares (converted from the A Shares) to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.

(vi) Upon completion of the transfer and conversion, the shareholding of the relevant holder of A Shares in our A Share register will be reduced by such number of A Shares transferred and the number of H Shares in our H Share register will correspondingly be increased by the same number of H Shares.

(vii) We will comply with the Listing Rules to inform our Shareholders and the public by way of an announcement of such fact prior to the proposed effective date.

Approvals from holders of A Shares and H Shares as separate classes are not required for the listing and trading of the converted H Shares. As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of A Shares to convert all or part of its A Shares into H Shares.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

We have obtained approval from our holders of A Shares to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained at the Shareholders' general meeting of our Company held on August 15, 2019 upon, among other things, the following major terms:

(1) Size of the offer

The proposed number of H Shares to be offered initially shall not exceed 15% of the total number of issued Shares as enlarged by the H Shares to be issued pursuant to the Global Offering and before the exercise of the Over-allotment Option. The number of H Shares to be issued pursuant to the exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially pursuant to the Global Offering.

(2) Method of offering

The method of offering shall be by way of a public offer for subscription in Hong Kong and an international offering to institutional and professional investors.

(3) Target investors

The H Shares shall be issued to overseas professional organizations, institutions, individual investors, the public and other eligible investors.

(4) Price determination basis

The issue price of the H Shares will be determined after due consideration of, among others, the interests of existing Shareholders, the acceptance of investors and the risks related to the offering and in accordance with international practices through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) Validity period

The approval is valid for 24 months from the date of passing of the resolutions at the Shareholders' general meeting of our Company held on August 15, 2019.

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

For details of circumstances Shareholders' general meetings and class meetings are required, please refer to Appendix VI to this prospectus.

As of the Latest Practicable Date, the following persons directly or indirectly control or are entitled to exercise the control of 5% or more of our A Shares:

Shareholder	Nature of Interest	Number of A Shares	Approximate percentage of shareholding
Dr. LOU[1]	Interests held jointly with another person; interests of controlled corporation	187,423,105	28.56%
Mr. LOU[1][2]	Beneficial owner; interests held jointly with another person; interests of controlled corporation; interests of spouse	187,423,105	28.56%
Ms. ZHENG[1][2]	Interests held jointly with another person; interests of controlled corporation; interests of spouse	187,423,105	28.56%
Pharmaron Holdings Limited[1]	Beneficial owner	97,600,003	14.87%
CITIC Securities (as defined below)[3]	Interests of controlled corporation	185,637,121	28.29%
Gold Stone Investment[3]	Interests of controlled corporation	185,637,121	28.29%
CITIC Fund (as defined below)[3]	Interests of controlled corporation	185,637,121	28.29%
CITIC Fund Shenzhen (as defined below)[3]	Interests of controlled corporation	157,142,855	23.94%
Shenzhen Xinzhong Kangcheng[3]	Beneficial owner	157,142,855	23.94%
Mr. WANG Nengguang (王能光)[4]	Interests of controlled corporation	121,347,001	18.49%
Mr. CHEN Hao (陳浩)[4]	Interests of controlled corporation	121,347,001	18.49%
Mr. ZHU Linan (朱立南)[4]	Interests of controlled corporation	121,347,001	18.49%
Huizhi Yihao (as defined below)[4]	Interests of controlled corporation	121,347,001	18.49%
Junlian Jieyou (as defined below)[4]	Interests of controlled corporation	121,347,001	18.49%
Junqi Jiarui (as defined below)[4]	Interests of controlled corporation	121,347,001	18.49%
Juncheng Hezhong (as defined below)[4]	Interests of controlled corporation	121,347,001	18.49%
Legend Capital[4]	Interests of controlled corporation	121,347,001	18.49%
Lasa Junqi (as defined below)[4]	Interests of controlled corporation	121,347,001	18.49%
Lasa Bodao (as defined below)[4]	Interests of controlled corporation	121,347,001	18.49%
Junqi Tongdao (as defined below)[4]	Interests of controlled corporation	121,347,001	18.49%
Junlian Tongdao (as defined below)[4]	Interests of controlled corporation	121,347,001	18.49%
Junlian Xinhai (as defined below)[4]	Interests of controlled corporation	103,489,858	15.77%
Junlian Wenda[4]	Beneficial owner	103,489,858	15.77%

Notes:

1. As of the Latest Practicable Date, Pharmaron Holdings Limited directly held 97,600,003 A Shares, and is held as to 65.11% by Dr. LOU.

   As of the Latest Practicable Date, Mr. LOU directly held 27,500,000 A Shares and Ningbo Longtaikang directly held 27,500,000 A Shares. Ningbo Longtaikang is wholly-owned by Mr. LOU.

   As of the Latest Practicable Date, Beijing Duotai directly held 20,723,103 A Shares and is wholly-owned by Ms. ZHENG. As of the Latest Practicable Date, Beijing Longtaihuixin, Beijing Longtaidingsheng, Beijing Longtaihuisheng, Beijing Longtaizhongsheng and Beijing Longtaizhongxin directly held 2,923,079 A Shares, 2,923,079 A Shares, 2,923,079 A Shares, 2,923,079 A Shares and 2,407,683 A Shares, respectively. The general partner of each of these five limited partnership is Ms. ZHENG.

   Dr. LOU, Mr. LOU and Ms. ZHENG have entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement), pursuant to which they have agreed to reach consensus on any proposal presented to the Board and the general meeting of the shareholders of our Company for voting (the "Voting Agreement"). Pursuant to the Voting Agreement, Dr. LOU, Mr. LOU and Ms. ZHENG are concert parties and they are deemed to be interested in each other's interests in our Company under the SFO.

2. Mr. LOU and Ms. ZHENG are spouses.

3. As of the Latest Practicable Date, Shenzhen Xinzhong Kangcheng directly held 157,142,855 A Shares. To the best knowledge of our Company, the general partner of Shenzhen Xinzhong Kangcheng is CITIC Buyout Fund Management Company Limited (中信併購基金管理有限公司) ("CITIC Fund"). Shenzhen Xinzhong Kangcheng is held as to 50.16% by CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership) (中信併購投資基金(深圳)合夥企業(有限合夥)) ("CITIC Fund Shenzhen") as a limited partner, the general partner of which is CITIC Fund. CITIC Fund is wholly-owned by Gold Stone Investment Co., Ltd (金石投資有限公司), which is in turn wholly-owned by CITIC Securities Company Limited (中信証券股份有限公司) ("CITIC Securities"), a company listed on the Hong Kong Stock Exchange (stock code: 6030). In addition, CITIC Securities is also considered as having control over CITIC Fund Shenzhen according to the investment contract.

   As of the Latest Practicable Date, Shenzhen Xinzhong Longcheng directly held 28,494,266 A Shares. To the best knowledge of our Company, the general partner of Shenzhen Xinzhong Longcheng is CITIC Fund.

   As such, CITIC Fund, Gold Stone Investment and CITIC Securities are deemed to be interested in our A Shares held by Shenzhen Xinzhong Kangcheng and Shenzhen Xinzhong Longcheng.

4. As of the Latest Practicable Date, Junlian Wenda directly held 103,489,858 A Shares. To the best knowledge of our Company, the general partner of Junlian Wenda is Beijing Junlian Tongdao Investment Management Partnership (Limited Partnership) (北京君聯同道投資管理合夥企業(有限合夥)) ("Junlian Tongdao"), the general partner of which is Lasa Junqi Enterprise Management Co., Ltd. (拉薩君祺企業管理有限公司) ("Lasa Junqi"). Junlian Tongdao is held as to 76.41% by Beijing Junqi Tongdao Investment Consultancy Partnership (Limited Partnership) (北京君祺同道投資顧問中心(有限合夥)) ("Junqi Tongdao") as a limited partner, the general partner of which is Lasa Junqi. Junqi Tongdao is held as to 74.83% by Lasa Bodao Investment Management Partnership (Limited Partnership) (拉薩博道投資管理合夥企業(有限合夥)) ("Lasa Bodao") as a limited partner. Lasa Junqi is wholly-owned by Legend Capital, which is held as to 80% by Beijing Juncheng Hezhong Investment Management Partnership (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) ("Juncheng Hezhong"). The general partner of Juncheng Hezhong is Beijing Junqi Jiarui Enterprise Management Co., Ltd. (北京君祺嘉睿企業管理有限公司) ("Junqi Jiarui"), which is held as to 40%, 40% and 20% by Mr. WANG Nengguang (王能光), Mr. CHEN Hao (陳浩) and Mr. ZHU Linan (朱立南), respectively. Juncheng Hezhong is owned as to 58.12% and 41.87% by Tianjin Huizhi Yihao Enterprise Management Consultancy Partnership (Limited Partnership) (天津匯智壹號企業管理諮詢合夥企業(有限合夥)) ("Huizhi Yihao") and Tianjin Junlian Jieyou Enterprise Management Consultancy Partnership (Limited Partnership) (天津君聯傑佑企業管理諮詢合夥企業(有限合夥)) ("Junlian Jieyou") as limited partners, respectively. Huizhi Yihao is owned as to 48.85% by Mr. ZHU Linan (朱立南) as limited partner.

   In addition, Junlian Wenda is held as to 39.48% by Beijing Junlian Xinhai Equity Investment Partnership (Limited Partnership) (北京君聯新海股權投資合夥企業(有限合夥)) ("Junlian Xinhai") as a limited partner, the general partner of which is Junlian Tongdao. Therefore, Junlian Xinhai is deemed to be interested in the same number of A Shares in which Junlian Wenda is interested under the SFO.

   In addition, as of the Latest Practicable Date, Junlian Maolin directly held 17,857,143 A Shares. To the best knowledge of our Company, the general partner of Junlian Maolin is Junlian Tongdao.

   As such, Junlian Tongdao, Lasa Junqi, Junqi Tongdao, Lasa Bodao, Legend Capital, Juncheng Hezhong, Junqi Jiarui, Huizhi Yihao, Junlian Jieyou, Mr. WANG Nengguang (王能光), Mr. CHEN Hao (陳浩) and Mr. ZHU Linan (朱立南) are deemed to be interested in our A Shares held by Junlian Wenda and Junlian Maolin under the SFO.

Immediately following the completion of the Global Offering, and assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, the Over-allotment Option is not exercised and no options are granted or exercised under the A Share Incentive Scheme, and based on the Offer Price of HK$37.00 (being the mid-point of the Offer Price range set out in this prospectus) the following persons will, have interests or short positions in our Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shareholder	Nature of interest	Number and class of Shares	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
Dr. LOU[(1)]	Interests held jointly with another person; interests of controlled corporation	187,423,105 A Shares	28.38%	24.12%
Mr. LOU (樓小強)[(1)(2)]	Beneficial owner; interests held jointly with another person; interests of controlled corporation; interests of spouse	187,423,105 A Shares	28.38%	24.12%
Ms. ZHENG[(1)(2)]	Interests held jointly with another person; interests of controlled corporation; interests of spouse	187,423,105 A Shares	28.38%	24.12%
Pharmaron Holdings Limited[(1)]	Beneficial owner	97,600,003 A Shares	14.78%	12.56%
CITIC Securities[(3)]	Interests of controlled corporation	185,637,121 A Shares	28.11%	23.89%
Gold Stone Investment[(3)]	Interests of controlled corporation	185,637,121 A Shares	28.11%	23.89%
CITIC Fund[(3)]	Interests of controlled corporation	185,637,121 A Shares	28.11%	23.89%
CITIC Fund Shenzhen[(3)]	Interests of controlled corporation	157,142,855 A Shares	23.80%	20.23%
Shenzhen Xinzhong Kangcheng[(3)]	Beneficial owner	157,142,855 A Shares	23.80%	20.23%
Mr. WANG Nengguang (王能光)[(4)]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Mr. CHEN Hao (陳浩)[(4)]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Mr. ZHU Linan (朱立南)[(4)]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%

Shareholder	Nature of interest	Number and class of Shares	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
Huizhi Yihao[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Junlian Jieyou[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Junqi Jiarui[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Juncheng Hezhong[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Legend Capital[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Lasa Junqi[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Lasa Bodao[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Junqi Tongdao[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Junlian Tongdao[4]	Interests of controlled corporation	121,347,001 A Shares	18.38%	15.62%
Junlian Xinhai[4]	Interests of controlled corporation	103,489,858 A Shares	15.67%	13.32%
Junlian Wenda[4]	Beneficial owner	103,489,858 A Shares	15.67%	13.32%
GF Securities Asset Management (Guangdong) Co., Ltd.	Others[5]	8,467,600 H Shares	7.27%	1.09%
China Structural Reform Fund Corporation Limited	Beneficial owner	8,467,600 H Shares	7.27%	1.09%
Lake Bleu Prime Healthcare Master Fund Limited	Beneficial owner	8,467,600 H Shares	7.27%	1.09%
Sven Borho[6]	Interests of controlled corporation	6,350,700 H Shares	5.45%	0.82%
Carl Gordon[6]	Interests of controlled corporation	6,350,700 H Shares	5.45%	0.82%
Jonathan Silverstein[6]	Interests of controlled corporation	6,350,700 H Shares	5.45%	0.82%

Notes:

1. As of the Latest Practicable Date, Pharmaron Holdings Limited directly held 97,600,003 A Shares, and is held as to 65.11% by Dr. LOU.

   As of the Latest Practicable Date, Mr. LOU directly held 27,500,000 A Shares and Ningbo Longtaikang directly held 27,500,000 A Shares. Ningbo Longtaikang is wholly-owned by Mr. LOU.

   As of the Latest Practicable Date, Beijing Duotai directly held 20,723,103 A Shares and is wholly-owned by Ms. ZHENG. As of the Latest Practicable Date, Beijing Longtaihuixin, Beijing Longtaidingsheng, Beijing Longtaihuisheng, Beijing Longtaizhongsheng and Beijing Longtaizhongxin directly held 2,923,079 A Shares, 2,923,079 A Shares, 2,923,079 A Shares, 2,923,079 A Shares and 2,407,683 A Shares, respectively. The general partner of each of these five limited partnership is Ms. ZHENG.

Pursuant to the Voting Agreement, Dr. LOU, Mr. LOU and Ms. ZHENG are concert parties and they are deemed to be interested in each other's interests in our Company under the SFO.

2. Mr. LOU and Ms. ZHENG are spouses.

3. As of the Latest Practicable Date, Shenzhen Xinzhong Kangcheng directly held 157,142,855 A Shares. To the best knowledge of our Company, the general partner of Shenzhen Xinzhong Kangcheng is CITIC Fund. Shenzhen Xinzhong Kangcheng is held as to 50.16% by CITIC Fund Shenzhen as a limited partner, the general partner of which is CITIC Fund. CITIC Fund is wholly-owned by Gold Stone Investment, which is in turn wholly-owned by CITIC Securities, a company listed on the Hong Kong Stock Exchange (stock code: 6030). In addition, CITIC Securities is also considered as having control over CITIC Fund Shenzhen according to the investment contract.

   As of the Latest Practicable Date, Shenzhen Xinzhong Longcheng directly held 28,494,266 A Shares. To the best knowledge of our Company, the general partner of Shenzhen Xinzhong Longcheng is CITIC Fund.

   As such, CITIC Fund, Gold Stone Investment and CITIC Securities are deemed to be interested in our A Shares held by Shenzhen Xinzhong Kangcheng and Shenzhen Xinzhong Longcheng.

4. As of the Latest Practicable Date, Junlian Wenda directly held 103,489,858 A Shares. To the best knowledge of our Company, the general partner of Junlian Wenda is Junlian Tongdao, the general partner of which is Lasa Junqi. Junlian Tongdao is held as to 76.41% by Junqi Tongdao as a limited partner, the general partner of which is Lasa Junqi. Junqi Tongdao is held as to 74.83% by Lasa Bodao as a limited partner. Lasa Junqi is wholly-owned by Legend Capital, which is held as to 80% by Juncheng Hezhong. The general partner of Juncheng Hezhong is Junqi Jiarui, which is held as to 40%, 40% and 20% by Mr. WANG Nengguang (王能光), Mr. CHEN Hao (陳浩) and Mr. ZHU Linan (朱立南), respectively. Juncheng Hezhong is owned as to 58.12% and 41.87% by Huizhi Yihao and Junlian Jieyou as limited partners, respectively. Huizhi Yihao is owned as to 48.85% by Mr. ZHU Linan (朱立南) as limited partner.

   In addition, Junlian Wenda is held as to 39.48% by Junlian Xinhai as a limited partner, the general partner of which is Junlian Tongdao. Therefore, Junlian Xinhai is deemed to be interested in the same number of A Shares in which Junlian Wenda is interested under the SFO.

   In addition, as of the Latest Practicable Date, Junlian Maolin directly held 17,857,143 A Shares. To the best knowledge of our Company, the general partner of Junlian Maolin is Junlian Tongdao.

   As such, Junlian Tongdao, Lasa Junqi, Junqi Tongdao, Lasa Bodao, Legend Capital, Juncheng Hezhong, Junqi Jiarui, Huizhi Yihao, Junlian Jieyou, Mr. WANG Nengguang (王能光), Mr. CHEN Hao (陳浩) and Mr. ZHU Linan (朱立南) are deemed to be interested in our A Shares held by Junlian Wenda and Junlian Maolin under the SFO.

5. GF Securities Asset Management (Guangdong) Co., Ltd. is an asset manager that is qualified domestic institutional investor, which subscribes for and holds 8,467,600 H Shares on an discretionary basis on behalf of China Structural Reform Fund Corporation Limited. For details, please refer to the section headed "Cornerstone Investors" in this prospectus.

6. Taking into account the 6,350,700 H Shares (assuming an Offer Price of HK$37.00, being the mid-point of the Indicative Offer Price range) to be subscribed for by OrbiMed Partners Master Fund Limited, Worldwide Healthcare Trust PLC, OrbiMed Global Healthcare Master Fund, L.P. and OrbiMed Genesis Master Fund, L. P., pursuant to the cornerstone investment agreement as further described under the section headed "Cornerstone Investors" in this prospectus, Sven Borho, Carl Gordon and Jonathan Silverstein will be interested in approximately 5.45% H Shares upon Listing (assuming the Over-allotment Option is not exercised). For details, please refer to the section headed "Cornerstone Investors" in this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. As of the Latest Practicable Date, we are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "Cornerstone Investment Agreement", and together, the "Cornerstone Investment Agreements") with the cornerstone investors set out below (each a "Cornerstone Investor", and together, the "Cornerstone Investors"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for certain number of our Offer Shares (the "Cornerstone Placing").

Assuming an Offer Price of HK$34.50, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 36,324,400 Offer Shares, representing approximately 31.17% of the Offer Shares pursuant to the Global Offering and approximately 4.68% of our total issued share capital immediately upon completion of the Global Offering (assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued and the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$37.00, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 33,870,300 Offer Shares, representing approximately 29.06% of the Offer Shares pursuant to the Global Offering and approximately 4.36% of our total issued share capital immediately upon completion of the Global Offering (assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued and the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$39.50, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 31,726,300 Offer Shares, representing approximately 27.22% of the Offer Shares pursuant to the Global Offering and approximately 4.08% of our total issued share capital immediately upon completion of the Global Offering (assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued and the Over-allotment Option is not exercised).

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is not our connected person (as defined in the Listing Rules), is not an existing Shareholder or their respective close associates. The subscription of Offer Shares by the Cornerstone Investors under the Cornerstone Placing is not financed directly or indirectly by our Company, any of our Directors, any of our existing Shareholders or their respective close associates. Each of the Cornerstone Investors is making independent investment decisions and none of them is accustomed to taking instructions from a core connected person (as defined in the Listing Rules) of our Company, our Company, any of our Directors, any of our existing Shareholders, or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares. To the extent that the Offer Shares will be subscribed by a qualified domestic institutional investor (the "QDII") as the nominee of the relevant Cornerstone Investor, the relevant Cornerstone Investor will procure the QDII to comply with the terms of the QDII agreement entered into with the relevant Cornerstone Investor in order to ensure the Cornerstone Investor's compliance with its undertakings under the relevant Cornerstone Investment Agreement. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by the Company on or around November 27, 2019.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, nor will any of them become a substantial shareholder (as defined under the Listing Rules) of our Company. None of the Cornerstone Investors has any preferential rights in their respective Cornerstone Investment Agreement compared with other public Shareholders. There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing.

The total number of Offer Shares to be subscribed by the Cornerstone Investors (except for one) pursuant to the Cornerstone Placing may be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation and Clawback." If there is over-allocation in the International Offering, the settlement of such over-allocation will be effected through deferred settlement of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. Where deferred settlement takes place, each Cornerstone Investor has agreed that it shall nevertheless pay for the relevant Offer Shares on the Listing Date, except that one of the Cornerstone Investors only have the payment obligation on the actual delivery date. For details of the Over-allotment Option and the stabilization action by the Stabilizing Manager, please refer to the sections headed "Structure of the Global Offering—The International Offering—Over-allotment Option" and "Structure of the Global Offering—Stabilization" in this prospectus, respectively.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Placing. The Cornerstone Investors are investing in our Offer Shares because they believe that the investment would provide them with high potential returns and such investment is also in line with their own investment strategies and objectives. As confirmed by our Directors, our Company became acquainted with the Cornerstone Investors through introduction and arrangement by the Joint Global Coordinators. To the best knowledge of our Directors, it is expected that the Cornerstone Investors would finance their subscription under the Cornerstone Placing by their own internal resources.

1. China Structural Reform Fund

China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("China Structural Reform Fund") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with US$40,000,000 at the Offer Price.

China Structural Reform Fund is a company incorporated in the PRC held by several state-owned enterprises. It is mainly engaged in business activities including non-public fund raising, equity investment, project investment, capital management, investment consulting and enterprise management consulting. For the purpose of the Cornerstone Placing, China Structural Reform Fund has engaged GF Securities Asset Management (Guangdong) Co., Ltd, an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, in the name of CEB-GFAM-China Structural Reform Fund Asset Management Account No.8 to subscribe for and hold such Offer Shares on a discretionary basis on behalf of China Structural Reform Fund.

2. Lake Bleu Capital

Lake Bleu Prime Healthcare Master Fund Limited ("Lake Bleu Prime", previously known as Ally Bridge LB Healthcare Fund) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with US$40,000,000 at the Offer Price.

Lake Bleu Capital (Hong Kong) Limited ("Lake Bleu Capital") acts as the investment advisor to Lake Bleu Prime. Lake Bleu Prime, an exempted company incorporated in the Cayman Islands, is a long-bias public equity fund with investments focused on Asia/Greater China healthcare, including pharmaceuticals, biotech, medical devices, and healthcare services.

3. OrbiMed

OrbiMed Partners Master Fund Limited ("OrbiMed Partners"), Worldwide Healthcare Trust PLC ("Worldwide Healthcare"), OrbiMed Global Healthcare Master Fund, L.P. ("OrbiMed Global") and OrbiMed Genesis Master Fund, L.P. ("OrbiMed Genesis") have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$8,180,000, US$15,492,000, US$4,328,000 and US$2,000,000, respectively, at the Offer Price.

OrbiMed Partners is a Bermuda exempted company. It is a pooled-investment fund with OrbiMed Capital LLC ("OrbiMed Capital") acting as the investment advisor. Worldwide Healthcare is a closed-end fund incorporated in the United Kingdom managed by OrbiMed Capital. The aim of Worldwide Healthcare is to achieve a high level of capital growth through worldwide investment in pharmaceutical and biotechnology companies. OrbiMed Global is an exempted limited partnership incorporated under the laws of the Cayman Islands. OrbiMed Genesis is an exempted limited partnership incorporated under the laws of the Cayman Islands. Each of OrbiMed Global and OrbiMed Genesis is a pooled-investment fund with OrbiMed Advisors LLC ("OrbiMed Advisors") acting as the investment manager. OrbiMed Capital and OrbiMed Advisors ("OrbiMed") are under common control of Sven Borho, Carl Gordon, and Jonathan Silverstein.

4. Athos Asia Event Driven Master Fund

Athos Asia Event Driven Master Fund ("Athos") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with US$25,000,000 at the Offer Price.

Athos is an exempted company incorporated with limited liability in the Cayman Islands. Athos Capital Limited ("Athos Capital") serves as the sole investment manager of the Athos. Athos Capital manages assets on behalf of a global institutional client base, including sovereign wealth funds, university endowments, foundations and family offices. Founded in 2011, Athos Capital pursues a variety of investment strategies with a view to providing superior and sustainable long term returns for its clients.

5. Oaktree Capital Management, L.P.

Oaktree Capital Management, L.P. ("Oaktree"), in its capacity as the general partner of Oaktree Emerging Markets Equity Fund, L.P and the discretionary investment adviser to certain separate accounts (severally and not jointly) (each, an "Oaktree Fund", and collectively the "Oaktree Funds"), on behalf of the Oaktree Funds, has agreed for each Oaktree Fund to subscribe for such number of Offer Shares which may be purchased with US$25,000,000 at the Offer Price.

Oaktree is a Delaware limited partnership and is registered as an investment adviser with the United States Securities and Exchange Commission. Oaktree is a global investment management firm managing a broad array of complementary strategies in four asset classes: credit, private equity, real assets and listed equities, and maintains a contrarian, value-oriented investment philosophy. Oaktree's investor base includes institutional investors such as pension plans, insurance companies, endowments, foundations and sovereign wealth funds.

Set out below in the aggregate number of Offer Shares, and the corresponding percentages to our Company's total Offer Shares and issued share capital under the Cornerstone Placing:

		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment option is exercised in full	
Based on the Offer Price of:	**Total number of Offer Shares to be subscribed by the Cornerstone Investors**	**Percentage to our total issued share capital immediately upon completion of the Global Offering**	**Percentage to the total number of Offer Shares**	**Percentage to our total issued share capital immediately upon completion of the Global Offering**	**Percentage to the total number of Offer Shares**
		(approximate)	**(approximate)**	**(approximate)**	**(approximate)**
HK$34.50 (being the low-end of the indicative Offer Price range)					
China Structural Reform Fund	9,081,100	1.17%	7.79%	1.14%	6.78%
Lake Bleu Capital	9,081,100	1.17%	7.79%	1.14%	6.78%
OrbiMed	6,810,800	0.88%	5.84%	0.86%	5.08%
Athos	5,675,700	0.73%	4.87%	0.71%	4.24%
Oaktree	5,675,700	0.73%	4.87%	0.71%	4.24%
HK$37.00 (being the mid-point of the indicative Offer Price range)					
China Structural Reform Fund	8,467,600	1.09%	7.27%	1.07%	6.32%
Lake Bleu Capital	8,467,600	1.09%	7.27%	1.07%	6.32%
OrbiMed	6,350,700	0.82%	5.45%	0.80%	4.74%
Athos	5,292,200	0.68%	4.54%	0.67%	3.95%
Oaktree	5,292,200	0.68%	4.54%	0.67%	3.95%
HK$39.50 (being the high-end of the indicative Offer Price range)					
China Structural Reform Fund	7,931,600	1.02%	6.81%	1.00%	5.92%
Lake Bleu Capital	7,931,600	1.02%	6.81%	1.00%	5.92%
OrbiMed	5,948,700	0.77%	5.10%	0.75%	4.44%
Athos	4,957,200	0.64%	4.25%	0.62%	3.70%
Oaktree	4,957,200	0.64%	4.25%	0.62%	3.70%

Notes:

1. The percentages are calculated based on the assumption that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued prior to the completion of the Global Offering.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are and will be (as of the closing of the Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investor has agreed that without the prior written consent of our Company, the Joint Sponsors and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "Lock-up Period"), dispose of, in any way, any of the Offer Shares it has purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 included in the accountants' report set out in Appendix I to this prospectus, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading fully-integrated pharmaceutical R&D service platform with global operations to accelerate drug innovation for our customers. We are the second largest pharmaceutical R&D service platform in China and one of the top three drug discovery service providers globally in terms of total revenue in 2018, according to Frost & Sullivan. We have established our leadership in drug discovery, pre-clinical and early clinical-stage development, while we have also been expanding our capabilities downstream to late clinical-stage development and commercial manufacturing. In expanding along the pharmaceutical R&D process, we have established expertise in all major R&D functions to deliver key milestones in each R&D stage, thereby enabling our customers to conduct their R&D programs in an accelerated manner.

We have successfully evolved from a pure laboratory chemistry service provider to an end-to-end service platform with operations in China, the U.S. and the U.K. to cater to a full spectrum of customers' needs. In 2016 and 2017, we further expanded our service offerings and strengthened our technology platforms through acquisitions in the U.S. and the U.K. With our successful integration and further development of technology platforms among these acquired subsidiaries, our well-established pharmaceutical R&D service platform provides integrated laboratory, clinical development and CMC services to our customers beyond service and geographic boundaries. Our integrated solutions and profound understanding of customers' needs further enable us to provide customized pharmaceutical R&D services.

We have a large, diverse and loyal customer base. As of June 30, 2019, we had an aggregate of over 1,000 customers, which included all of the top 20 global pharmaceutical companies and many reputable biotechnology companies. In 2016, 2017, 2018, the six months ended June 30, 2019 and the nine months ended September 30, 2019, we provided pharmaceutical R&D services to 623, 767, 846, 780 and 937 customers, respectively. We charge our customers a service fee for the pharmaceutical services we provided. Our service fee arrangement can be divided into two primary models: (i) a fee-for-service (FFS) model and (ii) a full-time-equivalent (FTE) model. We determine the fee level for each discovery, development manufacturing step based on, among other things, the scope of the services required for each step, the estimated costs and expenses of the required services, the amount of time allocated for achieving the relevant discovery, development or manufacturing step, and the market prices charged for similar services.

We experienced significant growth during the Track Record Period. Our revenue increased significantly from RMB1,634.2 million in 2016 to RMB2,294.1 million in 2017 and further to RMB2,908.1 million in 2018, representing a CAGR of 33.4% and increased from RMB1,270.6 million in the six months ended June 30, 2018 to RMB1,636.5 million in the same period of 2019. Our net profit increased significantly from RMB171.3 million in 2016 to RMB218.7 million 2017 and further to RMB335.8 million in 2018, representing a CAGR of 40.0% and increased from RMB120.4 million in the six months ended June 30, 2018 to RMB156.7 million in the same period of 2019. The increases in our revenue and net profit during the Track Record Period were primarily due to the strong and growing demand for our pharmaceutical R&D services from customers both in China and overseas.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing on or before January 1, 2019, including IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period, and in the period covered by the interim comparative financial information. Our historical financial information has been prepared under the historical cost convention, except for equity investments at fair value through profit or loss, derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value.

In relation to the valuation of the financial assets or liabilities recognized at fair value through profit or loss, our Directors have taken the following steps: (i) involving an independent professionally qualified valuer which has appropriate qualifications and experiences in valuation of similar assets, providing the necessary financial and non-financial information so as to enable the valuer to perform valuation procedures, and discussing with the valuer on the relevant assumptions; (ii) considering the relevant information such as the price at which an asset was acquired, values of comparable assets in the same market and current and projected operating performance, which require management assessments and estimates; and (iii) reviewing the valuation working papers and results prepared by the valuer. Based on the foregoing, our Directors are of the view that the estimated fair values are the most appropriate values as of December 31, 2017, 2018 and June 30, 2019, respectively.

Details of the fair value measurement of financial assets or liabilities recognized at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Note 47 to the Accountants' Report in Appendix I of the prospectus issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of the Accountants' Report set forth in Appendix I to this Prospectus.

In relation to the financial assets recognized at fair value through profit or loss, the Joint Sponsors have taken the necessary due diligence steps including but not limited to (i) reviewing the relevant notes in the Accountants' Report and the relevant documents provided by the valuer; and (ii) discussing with our Company and the Reporting Accountants the key basis, methodologies and assumptions for the valuation of financial assets recognized at fair value through profit or loss. On the basis of the diligence performed, the Joint Sponsors take the view that, with respect to the fair value estimates, our Directors have undertaken independent and sufficient investigation and due diligence, and our Directors' reliance on the work products of the valuer is reasonable and not excessive.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Growth of Global Research and Development Expenditure and Penetration Rate of Pharmaceutical R&D Services

The fast expansion of our business is driven primarily by the significant growing demand for our integrated pharmaceutical R&D services, which in turn is substantially a result of growth in global R&D spending in pharmaceutical R&D activities and increasing penetration of external R&D services. According to Frost & Sullivan, the global CRO market reached US$57.9 billion in 2018 and is expected to increase to US$95.2 billion by 2023 with a CAGR of 10.5%, while the penetration rate of global CRO market reached 37.2% in 2018 and is expected to further increase to 48.0% in 2023. In particular, China has shown a significant increase in pharmaceutical R&D spending in recent years, which reached US$17.4 billion in 2018 and is expected to increase to US$49.3 billion in 2023, representing a CAGR of 23.1%, according to Frost & Sullivan. Such trends are expected to lead to further increases in demand for pharmaceutical R&D services provided by us. Furthermore, policies in China are expected to continue to focus on encouraging the development of innovative patented drugs, which in turn is expected to attract increasing investment in drug innovation, according to the F&S Report. We expect to continue to benefit from such positive policies and market trends. Please see the section headed "Industry Overview" in this prospectus for a detailed discussion on the growth drivers of the pharmaceuticals R&D service market.

Our Ability to Retain Existing Customers and Attract New Customers

Our business and results of operations primarily depend on our ability to retain existing customers and secure contracts for their new pharmaceutical R&D projects, as well as to attract new customers. Our ability to win new projects from existing and new customers is affected substantially by our service quality, price, range of services and capacity. Leveraging our world-class services, we have been able to successfully generate repeating business with our existing customers. Our fully integrated pharmaceutical R&D service platform and comprehensive service offerings enable us to cross-sell our services of different scientific functions, and to implement our end-to-end business model by following our customers' R&D projects as they progress further. In 2018, 94.7% of our revenue was from repeat customers and 67.8% of our revenue was from customers that used services from more than one of our business units.

Our strong execution capabilities and quality customer services are widely recognized by our customers, which provide us with the opportunity to build confidence and trust between the customers and us, thereby increasing the stickiness of our customers. In addition to our existing customers, we constantly seek new customers for business opportunities. Our commitment to high quality and customized services, as well as centralized business development helped us to expand our customer base. Our selling and distribution expenses as a percentage to our revenue remained stable at around 2.0% during the Track Record Period. Please refer to the paragraph headed "Risk Factors—Risks Relating to Our Business and Industry—Our business largely depends on our customers' demand for pharmaceutical R&D services and their budget for R&D expenditure. Any reduction in demand from our customers could have a material adverse effect on our business, financial condition, results of operations and prospects" in this prospectus.

Our Service Mix

We provide our pharmaceutical R&D services in three business segments, i.e., laboratory, clinical development and CMC services. With the continued growth of our Group, these business segments are in different development stages, which may lead to different margins and cost structures. In addition, we continuously strive to further expand our capacities and capabilities, and therefore facilities by which our services are provided, or the addition of new laboratory/manufacturing facilities, would also have an impact on our results of operations. On the other hand, our customers' pharmaceutical R&D projects require different scientific functions and/or customized or integrated solutions provided by us, the mix of which may result in fluctuations in our margin and profitability in a given period. Any significant change in the mix of projects of different sizes and types of services may impact our results of operations and our overall profit margin.

Our Ability to Manage Labor and Staff Costs

Labor and staff costs were the largest component of our cost of sales and operating expenses during the Track Record Period, which mainly consist of salaries, bonus, share-based compensation expenses and social security costs for our employees. Our labor and staff costs amounted to RMB729.5 million, RMB967.5 million, RMB1,260.3 million, RMB576.9 million and RMB741.1 million for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively. Our labor and staff costs as percentage of our revenue remained relatively stable at 44.6%, 42.2% and 43.3% of our revenue in 2016, 2017 and 2018, and at 45.4% and 45.3% of our revenue in the six months ended June 30, 2018 and 2019, respectively. In recent years, our labor and staff costs have increased as a result of our expanded operational scale, increase in our average salary and bonus, and employment of more scientists

and technicians. A majority of our employees are employed in the PRC and in general, the average labor and staff cost in the PRC has been steadily increasing during the Track Record Period, particularly for highly trained employees such as ours. While we strive to manage our labor and staff costs through automation and to improve our revenue per scientist, fluctuations in labor and staff costs may lead to fluctuation in our cost of sales and operating expenses.

Fluctuations in Foreign Exchange Rates

During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollars. However, a majority of our cost of sales and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. For example, in 2018, our revenue was primarily generated from sales denominated in currencies other than Renminbi, while a majority of our cost of sales and a vast majority of our operating costs and expenses were denominated in Renminbi. We are thus subject to foreign exchange risk. For example, if the U.S. dollar appreciates against the Renminbi after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our cost of sales as a percentage of our revenue attributable to such service contract or work order would decrease due to such appreciation, increasing both our gross profit and gross profit margin. Conversely, if the Renminbi appreciates against the U.S. dollar after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our gross profit and gross profit margin would be adversely affected. We adopted a currency hedging policy and began to enter into currency hedging transactions, such as long-term or short-term forward contracts since 2018 to mitigate the impact brought by fluctuations in foreign exchange rates and we expect to enter into hedging transactions more regularly in 2019. For any single hedging transaction, or a series of hedging transactions within 12 consecutive months, with an aggregate transaction amount not exceeding 50% of our net assets as set forth in our audited financial statements for the most recent fiscal year, such transaction or transactions shall be approved or authorized by our Board with opinion from our independent non-executive Directors. In the event that the aggregate amount of the transaction or transactions exceeds the above-mentioned limit, shareholders' approval is required to proceed with such transaction/transactions. In addition, our finance department is in charge of monitoring our exposure on such hedging transactions and shall issue a risk assessment report to our manager, internal control department and secretary of the Board on quarterly basis. Nonetheless, any significant fluctuation in foreign exchange rates at any time may still affect our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with accounting policies that conform with IFRS, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies and estimates discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment. For details of our significant accounting policies and estimates, see Notes 2 and 3 in the accountants' report set out in Appendix I to this prospectus.

Revenue from contracts with customers

Under IFRS 15, we recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;

- our performance creates and enhances an asset that the customer controls as we perform; or

- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For contracts that contain more than one performance obligations, we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which we would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, we estimate it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods or services to the customer.

We have different contractual arrangements with different customers under two different charge models FTE or FFS models.

For certain laboratory and CMC services under the FTE model, we provide dedicated team of employees to customer's project for a specific time and charge the customer at fixed rate per employee. Our customer simultaneously receives and consumes benefits provided by our performance. Therefore, revenue is recognised over time at the amount to which we have the right to invoice for the performance completed to date (i.e. FTE billable amounts, which are calculated based on numbers of our employees assigned to the project and the time our employees worked), usually in the form of a monthly statement. Under the FTE method, we measure the progress by using units produced/services transferred to the customer to date (output method).

Certain of our laboratory, CMC and clinical development services are under the FFS model, and the revenue is recognised at a point in time when we transfer the control for services/deliverable units at point in time and has right to payment from the customers for the services performed upon finalization, or upon the delivery and acceptance of the deliverable units.

Certain of our revenue from laboratory and clinical development services are under the FFS model, and the revenue is recognised over time, as our services have created an asset with no alternative use and we have an enforceable right for payments for performance completed to date. The selection of the method to measure progress towards completion requires our judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, we generally measure its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method).

Under input method, we use the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as we incur costs on its contract, under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. Under output method, the units produced/services transferred to the customer to date is measured to the extent of progress towards completion, based on discrete service or time-based increments.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If we perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) the costs relate directly to a contract or to an anticipated contract that we can specifically identify;

(b) the costs generate or enhance our resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Government grants

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

Government grants whose primary condition is that we should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over useful lives of the related assets.

Borrowing costs

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

Property, plant and equipment and depreciation

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

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

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

Category	Estimated useful life	Estimated residual value
Building	20-39 years	0-5%
Land	Indefinite useful life	0%
Laboratory equipment	3-10 years	0-3%
Transportation equipment	5-10 years	0-5%
Furniture, fixtures and equipment	3-8 years	0-5%
Leasehold improvement	3-30 years	0%

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Impairment assessment on goodwill

For the purpose of impairment assessment, goodwill acquired through business combinations is allocated to cash-generating units ("CGUs"), comprising CPC business, Pharmaron ABS business, Pharmaron (Ningbo) Technology Development business and Nanjing Sirui business. The carrying amounts of goodwill allocated to these units are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
CPC business	N/A	100,933	106,015	106,193
Pharmaron ABS business	N/A	26,049	27,360	27,406
Pharmaron (Ningbo) Technology Development business	N/A	6,542	6,542	6,542
Nanjing Sirui business	N/A	N/A	N/A	61,172
	N/A	133,524	139,917	201,313

The recoverable amount of these business cash-generating units were determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by us. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by us.

Based on the results of the goodwill impairment testing, the recoverable amount of each cash-generating units exceeded its carrying amount are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
CPC business	N/A	35,100	43,026	40,894
Pharmaron ABS business	N/A	13,197	15,651	34,581
Pharmaron (Ningbo) Technology Development business	N/A	32,592	45,393	55,333
Nanjing Sirui business	N/A	N/A	N/A	52,091
	N/A	80,889	104,070	182,899

By applying a certain basis point decrease in the terminal growth rate or increase in the discount rate as follows would result in the decrease in the recoverable amount of each cash-generating unit:

	1% decrease in terminal growth rate				1% increase in discount rate (pre-tax)			
	At December 31,			At June 30,	At December 31,			At June 30,
	2016	2017	2018	2019	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CPC business	N/A	(16,805)	(11,817)	(15,846)	N/A	(24,997)	(17,014)	(24,422)
Pharmaron ABS business	N/A	(8,313)	(8,318)	(7,839)	N/A	(10,629)	(10,637)	(12,388)
Pharmaron (Ningbo) Technology Development business	N/A	(15,707)	(18,660)	(20,339)	N/A	(22,116)	(34,158)	(37,820)
Nanjing Sirui business	N/A	N/A	N/A	(20,915)	N/A	N/A	N/A	(25,634)

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

Impact of Early Adoption of IFRS 9, IFRS 15 and IFRS 16

IFRS 9 and IFRS 15

We have assessed the effects of early adoption of IFRS 9 on the financial statements and concluded that the application of expected credit loss model under IFRS 9 would not cause a material impact on the impairment loss allowance for our financial assets measured at amortized cost as of each Tracking Period as compared with the incurred loss model under IAS 39.

We have assessed the effects of early adoption of IFRS 15 on the financial statements and concluded that there is no significant impact on our financial position and financial performance as compared to the application of IAS 18, except that under IFRS 15, contract assets are recognized for the right to consideration for work completed and not billed, and contract liabilities are recognized for our obligations to transfer goods or provided services to customers for which we have received consideration from the customers under IFRS 15.

IFRS 16

Under IFRS 16, at the commencement date of a lease, a lease will recognize a liability to make lease payments, i.e. the lease liability), and an asset representing the right to use the underlying asset during the lease term, i.e. the right-of-use asset. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

By applying IFRS 16, as at December 31, 2016, 2017 and 2018 and June 30, 2019, we recognize right-of-use assets amounted to RMB138.9 million, RMB468.7 million, RMB498.9 million and RMB478.1 million, respectively, and recognize lease liability amounted to RMB120.7 million, RMB245.4 million, RMB205.5 million and RMB182.3 million, respectively. Our Directors consider that the early adoption of IFRS 16, as compared to the requirements of IAS 17, would increase our consolidated assets and consolidated liabilities, but would not result in a significant impact to our consolidated financial position and performance.

DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

The following table sets forth our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
							(unaudited)			
REVENUE	1,634,239	100%	2,294,118	100%	2,908,123	100%	1,270,573	100%	1,636,513	100%
Cost of sales	(1,136,333)	(69.5%)	(1,519,653)	(66.2%)	(1,960,073)	(67.4%)	(872,287)	(68.7%)	(1,114,088)	(68.1%)
Gross profit	497,906	30.5%	774,465	33.8%	948,050	32.6%	398,286	31.3%	522,425	31.9%
Other income and gains	39,034	2.4%	16,164	0.7%	53,759	1.8%	10,219	0.8%	21,263	1.3%
Other expenses	(4,465)	(0.3%)	(35,951)	(1.6%)	(6,767)	(0.2%)	(1,802)	(0.1%)	(12,606)	(0.8%)
Selling and distribution expenses	(32,038)	(2.0%)	(47,163)	(2.1%)	(54,647)	(1.9%)	(23,417)	(1.8%)	(28,766)	(1.8%)
Administrative expenses	(252,328)	(15.4%)	(345,773)	(15.1%)	(420,456)	(14.5%)	(187,501)	(14.8%)	(241,463)	(14.8%)
Research and development costs	(16,444)	(1.0%)	(22,608)	(1.0%)	(31,611)	(1.1%)	(14,554)	(1.1%)	(26,687)	(1.6%)
Impairment losses on financial and contract assets, net of reversal	(1,734)	(0.1%)	(2,151)	(0.1%)	(8,886)	(0.3%)	(980)	(0.1%)	724	0.0%
Finance costs	(21,377)	(1.3%)	(68,536)	(3.0%)	(82,366)	(2.8%)	(38,755)	(3.1%)	(42,399)	(2.6%)
Share of losses of associates	—	—	—	—	(1,132)	(0%)	—	—	(5,798)	(0.4%)
Profit before tax	208,554	12.8%	268,447	11.7%	395,944	13.6%	141,496	11.1%	186,693	11.4%
Income tax expense	(37,220)	(2.3%)	(49,783)	(2.2%)	(60,101)	(2.1%)	(21,104)	(1.7%)	(30,012)	(1.8%)
Profit for the year/period	171,334	10.5%	218,664	9.5%	335,843	11.5%	120,392	9.5%	156,681	9.6%

Revenue

We operate our integrated pharmaceutical R&D services through three main business segments, namely, laboratory services, clinical development services and CMC services. We primarily generate revenue from fee income for the services provided to our customers under the FTE or FFS models. Please refer to the paragraph headed "Business—Our Fee Models" in this prospectus and the Accountant's Report in Appendix I to this prospectus for details of our fee models. We had an increase in both the numbers of customers and projects as well as an increase in revenue per customer. We recorded total revenue of RMB1,634.2 million, RMB2,294.1 million, RMB2,908.1 million, RMB1,270.6 million and RMB1,636.5 million for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively.

Revenue by segment

We operate our integrated pharmaceutical R&D services through the following segments.

- Laboratory services: Laboratory services primarily include laboratory chemistry, DMPK/ADME, *in vitro* biology and *in vivo* pharmacology and safety assessment.
- Clinical development services: Clinical development services primarily include clinical research, regulatory bioanalysis and radiolabelled sciences services.
- CMC services: CMC services primarily include process development and manufacturing, material science/pre-formulation, formulation development and manufacturing and analytical development services.

The following table sets forth a breakdown of our revenue by our business segments during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
Laboratory services	1,158,212	70.8%	1,489,876	65.0%	1,895,755	65.2%	852,534	67.1%	1,059,856	64.8%
Clinical development services	148,240	9.1%	225,174	9.8%	347,504	11.9%	153,608	12.1%	190,215	11.6%
CMC services	327,747	20.1%	562,891	24.5%	645,824	22.2%	254,709	20.0%	376,885	23.0%
Others	40	0.0%	16,177	0.7%	19,040	0.7%	9,722	0.8%	9,557	0.6%
Total	1,634,239	100.0%	2,294,118	100.0%	2,908,123	100.0%	1,270,573	100.0%	1,636,513	100.0%

During the Track Record Period, our revenue generally increased as a result of the expanded collaboration with existing customers and business from new customers. While our laboratory services contributed to a majority of our revenue during the Track Record Period, revenue generated from our CMC and clinical development services had increased due to the increased stickiness of our customers and more cross-selling efforts.

Revenue by geographic coverage

During the Track Record Period, we derived a vast majority of revenue from providing services to our customers based in the U.S. and Europe. In the meantime, our revenue generated from China continued to increase during the Track Record Period primarily as a result of (i) favorable policies for the development of innovative drugs promulgated by the PRC government and (ii) the higher growth rate of the China pharmaceutical R&D service market as compared to the global average. The table below sets forth a breakdown of our revenue from external customers by geographic coverage for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
North America	959,490	58.7%	1,458,688	63.6%	1,809,676	62.2%	789,152	62.1%	966,709	59.1%
Europe	438,951	26.9%	517,569	22.6%	631,714	21.7%	299,087	23.5%	392,795	24.0%
Asia (except mainland China)	112,123	6.8%	106,205	4.6%	141,526	4.9%	60,187	4.7%	74,004	4.5%
Mainland China	121,968	7.5%	197,654	8.6%	297,831	10.2%	112,176	8.8%	191,482	11.7%
Others	1,707	0.1%	14,002	0.6%	27,376	1.0%	9,971	0.9%	11,523	0.7%
Total	1,634,239	100.0%	2,294,118	100.0%	2,908,123	100.0%	1,270,573	100.0%	1,636,513	100.0%

Revenue by fee model

During the Track Record Period, we primarily generate revenue from fee income for the services provided to our customers under the FTE or FFS models. The table below sets forth a breakdown of our revenue by fee model for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
FTE	682,124	41.7%	917,515	40.0%	1,233,620	42.4%	552,353	43.4%	634,517	38.8%
FFS	952,075	58.3%	1,360,426	59.3%	1,655,463	56.9%	708,498	55.8%	992,439	60.6%
Other	40	0.0%	16,177	0.7%	19,040	0.7%	9,722	0.8%	9,557	0.6%
Total	1,634,239	100.0%	2,294,118	100.0%	2,908,123	100.0%	1,270,573	100.0%	1,636,513	100.0%

Cost of sales

Our cost of sales primarily consists of labor costs, cost of raw materials, depreciation and amortization and others. For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our cost of sales was RMB1,136.3 million, RMB1,519.7 million, RMB1,960.1 million, RMB872.3 million and RMB1,114.1 million, respectively.

Cost of sales by category

The table below sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
Labor costs	574,425	50.6%	770,261	50.7%	1,014,741	51.8%	462,227	53.0%	582,910	52.3%
Cost of raw materials	259,146	22.8%	372,537	24.5%	473,174	24.1%	194,867	22.3%	268,527	24.1%
Depreciation and amortization	123,855	10.9%	182,497	12.0%	237,651	12.1%	111,314	12.8%	140,225	12.6%
Others	178,907	15.7%	194,358	12.8%	234,507	12.0%	103,879	11.9%	122,426	11.0%
Total	1,136,333	100.0%	1,519,653	100.0%	1,960,073	100.0%	872,287	100.0%	1,114,088	100.0%

Labor Costs

Our labor costs increased during the Track Record Period primarily reflected the increased headcounts as a result of increased demand for our services, as well as the increase in average salary level of our scientist and research technicians in respective periods. Our labor costs as a percentage of our revenue were 35.1%, 33.6% and 34.9% for the years ended December 31, 2016, 2017, 2018, and 36.4% and 35.6% for the six months ended June 30, 2018 and 2019, respectively, which remained relatively stable.

Cost of Raw Materials

Our cost of raw materials increased during the Track Record Period primarily as a result of an increase in the demand for our pharmaceutical R&D services and our business growth. Our cost of raw materials as a percentage of our revenue remained stable at 15.9%, 16.2% and 16.3% for the years ended December 31, 2016, 2017, 2018 and 15.3% and 16.4% for the six months ended June 30, 2018 and 2019, respectively.

Depreciation and Amortization

Our depreciation and amortization costs increased during the Track Record Period primarily due to the expansion of our facilities, acquisition of facilities and the growth of our business. Our depreciation and amortization costs as a percentage of our revenue increased from 7.6% in 2016 to 8.0% in 2017 and further to 8.2% in 2018, and decreased from 8.8% in the six months ended June 30, 2018 to 8.6% in the same period in 2019, respectively, primarily reflecting the completion of the expansion and upgrade of our existing facilities, as well as our acquisitions in the U.S., U.K. and China, in connection with our continued growth.

Cost of sales by segment

Our cost of sales for each business segment as a percentage of our total cost of sales remained stable during the Track Record Period, which is largely in line with our revenue by business segment. The table below sets forth a breakdown of our cost of sales by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
Laboratory services	763,065	67.2%	892,442	58.7%	1,186,201	60.5%	539,354	61.8%	664,495	59.6%
Clinical development services	127,630	11.2%	190,155	12.5%	258,895	13.2%	113,436	13.0%	146,348	13.1%
CMC services	245,638	21.6%	430,407	28.3%	505,991	25.8%	215,267	24.7%	299,399	26.9%
Others	—	—	6,649	0.5%	8,986	0.5%	4,230	0.5%	3,846	0.4%
Total	1,136,333	100.0%	1,519,653	100.0%	1,960,073	100.0%	872,287	100.0%	1,114,088	100.0%

Gross Profit and Gross Profit Margin

For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our gross profit was RMB497.9 million, RMB774.5 million, RMB948.1 million, RMB398.3 million and RMB522.4 million, respectively. Our gross margins remained relatively stable in 2016, 2017, 2018 at 30.5%, 33.8% and 32.6% and in the six months ended June 30, 2018 and 2019 at 31.3% and 31.9%, respectively, primarily reflecting (i) the service mix we provided during respective periods, (ii) our enhanced operating efficiency due to economies of scale and (iii) the impact of the ramp up period of our newly commissioned facilities. The table below sets forth a breakdown of our gross profit during the Track Record Period and the respective gross profit margins by segment:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	Gross Profit Margin	RMB'000	Gross Profit Margin	RMB'000	Gross Profit Margin	RMB'000	Gross Profit Margin	RMB'000	Gross Profit Margin
							(unaudited)			
Laboratory services	395,147	34.1%	597,434	40.1%	709,554	37.4%	313,180	36.7%	395,361	37.3%
Clinical development services	20,610	13.9%	35,019	15.6%	88,609	25.5%	40,172	26.2%	43,867	23.1%
CMC services	82,109	25.1%	132,484	23.5%	139,833	21.7%	39,442	15.5%	77,486	20.6%
Others	40	100.0%	9,528	58.9%	10,054	52.8%	5,492	56.5%	5,711	59.8%
Total	497,906	30.5%	774,465	33.8%	948,050	32.6%	398,286	31.3%	522,425	31.9%

During the Track Record Period, the gross profit margin for our laboratory services was higher than that of our clinical development or CMC services as we are still ramping up our clinical development and CMC businesses. During the Track Record Period, the fluctuations of the gross profit margin for our laboratory services was primarily driven by higher operating efficiency of our facilities due to economies of scale and our efforts in cross-selling our services, which was offset by our newly commissioned facilities that were still in the ramp up period. The gross profit margin for our clinical development services during the Track Record Period was primarily reflecting our integration of clinical development services provided by our acquired subsidiaries in the U.K. and the U.S. The gross profit margin for our CMC services during the Track Record Period was primarily impacted by the ramp up period of our newly commissioned facilities in Ningbo, China, Tianjin, China and Hoddesdon, U.K.

In addition, our gross profit from the FTE fee model for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019 was RMB253.9 million, RMB373.8 million, RMB460.7 million, RMB199.8 million and RMB228.2 million, respectively, while our gross profit from the FFS fee model for the same periods was RMB244.0 million, RMB391.2 million, RMB477.3 million, RMB193.0 million and RMB288.5 million, respectively. Our gross margins under FTE model remained relatively stable in 2016, 2017, 2018 at 37.2%, 40.7% and 37.3% and in the six months ended June 30, 2018 and 2019 at 36.2% and 36.0%, respectively, while our gross margins under FFS model remained relatively stable in 2016, 2017, 2018 at 25.6%, 28.8% and 28.8% and in the six months ended June 30, 2018 and 2019 at 27.2% and 29.1%, respectively. Gross margins of FTE and FFS fee models are largely in line with the gross margins of our different business segments. The table below sets forth a breakdown of our gross profit during the Track Record Period and the respective gross profit margins by fee model:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	Gross profit margin	RMB'000	Gross profit margin	RMB'000	Gross profit margin	RMB'000	Gross profit margin	RMB'000	Gross profit margin
FTE	253,902	37.2%	373,750	40.7%	460,666	37.3%	199,804	36.2%	228,228	36.0%
FFS	243,964	25.6%	391,187	28.8%	477,330	28.8%	192,990	27.2%	288,486	29.1%
Other	40	100.0%	9,528	58.9%	10,054	52.8%	5,492	56.5%	5,711	59.8%
Total	497,906	30.5%	774,465	33.8%	948,050	32.6%	398,286	31.3%	522,425	31.9%

Other Income and Gains

Our other income and gains primarily consists of government grants and subsidies, net foreign exchange gains and interest income. During the Track Record Period, we received various grants and subsidies, mainly included certain government grants from PRC local government to support our investment in laboratory equipment and talent recruitment efforts. Our other income and gains was RMB39.0 million, RMB16.2 million, RMB53.8 million, RMB10.2 million and RMB21.3 million, respectively, for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019. In addition, for the years ended December 31, 2016 and 2018 and the six months ended June 30, 2018 and 2019, we recorded net foreign exchange gains of RMB17.0 million, RMB30.1 million, RMB7.2 million and RMB1.9 million, respectively, which primarily resulted from the fluctuation in foreign exchange rate of RMB against U.S. dollars. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Other income					
Interest income	1,788	377	368	162	1,513
Government grants and subsidies related to					
– Assets	2,746	2,137	4,419	950	4,546
– Income	17,374	13,455	18,233	1,364	1,254
	21,908	15,969	23,020	2,476	7,313
Other gains					
Foreign exchange gains, net	16,960	—	30,099	7,189	1,863
Gains on fair value change of equity investment at fair value through profit or loss	—	—	246	246	1,054
Gains on bargain purchase of a subsidiary	127	—	—	—	—
Gains on financial assets at fair value through profit or loss	—	—	—	—	450
Gains on fair value re-measurement of existing equity in business combination not under common control	—	—	—	—	10,363
Others	39	195	394	308	220
	17,126	195	30,739	7,743	13,950
	39,034	16,164	53,759	10,219	21,263

Other Expenses

Our other expenses primarily consist of net foreign exchange loss, loss on disposal of property, plant and equipment, loss on disposal of right-of-use assets and loss on derivative financial instruments and financial assets at fair value through profit or loss. We recorded net foreign exchange loss of RMB34.7 million in 2017, which was mainly a result of our losses from the fluctuations of the foreign exchange rate of RMB against the U.S. dollars.

Selling and Distribution Expenses

Our selling and distribution expenses mainly consist of staff costs, traveling expense and others. Staff costs mainly include salaries, bonus and social security costs for our employees in business development team. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our selling and distribution expenses were RMB32.0 million, RMB47.2 million, RMB54.6 million, RMB23.4 million and RMB28.8 million, respectively. Our selling and distribution expenses as a percentage of our revenue remained stable at 2.0%, 2.1%, and 1.9% in 2016, 2017 and 2018, and at 1.8% and 1.8% in the six months ended June 30, 2018 and 2019, respectively. Staff costs was the largest component of our selling and distribution expenses, and its increases during the Track Record Period primarily reflected the increased headcounts in our business development team as a result of our continued expansion as well as our acquisitions of subsidiaries in the U.S. and U.K. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
Staff costs	22,951	71.6%	35,266	74.8%	41,462	75.9%	16,839	71.9%	21,302	74.0%
Traveling expenses	3,586	11.2%	4,670	9.9%	5,602	10.3%	2,720	11.6%	2,167	7.5%
Others	5,501	17.2%	7,227	15.3%	7,583	13.8%	3,858	16.5%	5,297	18.5%
	32,038	100.0%	47,163	100.0%	54,647	100.0%	23,417	100.0%	28,766	100.0%

Administrative Expenses

Our administrative expenses mainly consist of staff costs, facilities maintenance and rental expenses, depreciation and amortization expenses, office supply expenses, tax expenses, consulting and professional fees, travel and business related expenses, share-based compensation and others. Staff costs mainly include salary, bonus and social welfare expenses of our administration staff. Others primarily include insurance expenses, consumables and other miscellaneous fees for general administrative purposes. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our administrative expenses were RMB252.3 million, RMB345.8 million, RMB420.5 million, RMB187.5 million and RMB241.5 million, respectively. Our administrative expenses as a percentage to our revenue remained stable at 15.4%, 15.1% and 14.5% in 2016, 2017 and 2018, and at 14.8% and 14.8% in the six months ended June 30, 2018 and 2019, respectively. Staff costs and facilities maintenance and rental expenses are the largest components of our administrative expenses, and the increases during the Track Record Period primarily reflected the increased headcounts of our administrative staffs and increased facilities maintenance and rental expenses as a result of our continued expansion and our acquisitions in the U.S. and the U.K. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
Staff costs	96,081	38.1%	147,117	42.5%	176,901	42.1%	82,545	44.0%	100,197	41.5%
Facilities maintenance and rental expense	53,524	21.2%	57,102	16.5%	78,126	18.6%	32,088	17.1%	45,240	18.7%
Depreciation and amortization	22,607	9.0%	45,325	13.1%	55,480	13.2%	27,528	14.7%	31,435	13.0%
Office supply expenses	21,464	8.5%	36,091	10.4%	47,583	11.3%	19,784	10.6%	27,081	11.2%
Tax expenses	3,242	1.3%	16,380	4.7%	24,423	5.8%	10,634	5.7%	15,228	6.3%
Consulting and professional fees	12,347	4.9%	20,365	5.9%	11,578	2.8%	5,284	2.8%	7,516	3.1%
Travel and business related expenses	7,055	2.8%	10,607	3.1%	11,618	2.8%	4,721	2.5%	4,781	2.0%
Share-based compensation	22,007	8.7%	—	—	—	—	—	—	—	—
Others	14,001	5.5%	12,786	3.8%	14,747	3.4%	4,917	2.6%	9,985	4.2%
Total	252,328	100.0%	345,773	100.0%	420,456	100.0%	187,501	100.0%	241,463	100.0%

Research and Development Expenses

Our research and development expenses mainly consist of staff costs, material costs and depreciation amortization expenses in relation to our internal research and development activities focusing on technological foundation and capabilities, which allowed us to develop novel solutions for our customers and maintain our competitive position. For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our research and development expenses were RMB16.4 million, RMB22.6 million, RMB31.6 million, RMB14.6 million and RMB26.7 million, respectively. Our research and development expenses as a percentage to our revenue remained stable at 1.0%, 1.0% and 1.1% in 2016, 2017 and 2018, and at 1.1% and 1.6% in the six months ended June 30, 2018 and 2019, respectively. Our research and development expenses increased during the Track Record Period primarily due to our internal research and development activities.

Impairment Losses on Financial and Contract Assets, Net of Reversal

Our impairment losses on financial and contract assets, net of reversal represent the expected credit losses on our trade receivables, other receivables and contract assets. We conducted impairment analysis at the end of each year/period during the Track Record Period using a provision matrix to measure expected credit losses. For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our impairment losses on financial and contract assets, net of reversal was RMB1.7 million, RMB2.2 million, RMB8.9 million, RMB1.0 million and reversal RMB0.7 million, respectively.

Finance Costs

Our finance costs primarily consist of interest expenses on bank loans, operating leases and financial leases. For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our finance cost was RMB21.4 million, RMB68.5 million, RMB82.4 million, RMB38.8 million and RMB42.4 million, respectively.

Share of Losses of Associates

We hold minority equity interests in several associate companies, mainly including CR Medicon, which became our subsidiary in May 2019, and LinkStart. As a result, we share the losses incurred by such associates, as the case may be, under equity method of accounting in 2018 and the six months ended June 30, 2019 of RMB1.1 million and RMB5.8 million, respectively.

Income Tax Expense

Our income tax expense primarily consists of the current income tax at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations. For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our income tax expense was RMB37.2 million, RMB49.8 million, RMB60.1 million, RMB21.1 million and RMB30.0 million respectively. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total	RMB'000	% of Total
							(unaudited)			
Current tax	36,432	97.9%	52,047	104.5%	47,820	79.6%	15,433	73.1%	22,143	73.8%
Deferred tax	788	2.1%	(2,264)	(4.5%)	12,281	20.4%	5,671	26.9%	7,869	26.2%
Total:	37,220	100.0%	49,783	100.0%	60,101	100.0%	21,104	100.0%	30,012	100.0%
Effective income tax rate	17.8%		18.5%		15.2%		14.9%		16.1%	

We and certain of our subsidiaries were accredited as an "Advanced Technology Enterprise" or a "High and New Technology Enterprise" in China, and therefore were subject to a preferential income tax rate of 15% during the Track Record Period. Our effective income tax rate were 17.8%, 18.5%, 15.2%, 14.9% and 16.1%, respectively, for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019. Most of our major subsidiaries reside in China and are subject to the 15% preferential income tax rate. The fluctuations of our effective

tax rates during the Track Record Period primarily reflected the losses recorded by some of our subsidiaries during the same periods. For details of the tax rates applicable to different entities in our Group, please refer to Note 11 in the accountants' report set out in Appendix I to this prospectus.

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Revenue

Our revenue increased by 28.8% from RMB1,270.6 million for the six months ended June 30, 2018 to RMB1,636.5 million for the same period of 2019, primarily due to increased demand for our pharmaceutical R&D services.

Revenue generated from our laboratory services increased by 24.3% from RMB852.5 million for the six months ended June 30, 2018 to RMB1,059.9 million for the same period of 2019, primarily due to our cross-selling efforts which generated more revenue from our services covering various scientific functions.

Revenue generated from our clinical development services increased by 23.8% from RMB153.6 million for the six months ended June 30, 2018 to RMB190.2 million for the same period of 2019, primarily due to the growth of our clinical research and radiolabeled science services provided to customers in overseas markets.

Revenue generated from our CMC services increased by 48.0% from RMB254.7 million for the six months ended June 30, 2018 to RMB376.9 million for the same period of 2019, primarily due to strong demand for our CMC services and the increased capacity from our newly commissioned facilities.

Cost of sales

Our cost of sales increased by 27.7% from RMB872.3 million for the six months ended June 30, 2018 to RMB1,114.1 million for the same period of 2019, primarily reflecting our revenue growth and the expansion of our operations. Our cost of sales as a percentage to our revenue remained stable at 68.7% in the six months ended June 30, 2018 and 68.1% for the same period of 2019.

Our labor costs increased by 26.1% from RMB462.2 million for the six months ended June 30, 2018 to RMB582.9 million for the same period of 2019, primarily because the headcount of our scientists and technicians increased from 4,640 as of June 30, 2018 to 5,572 as of June 30, 2019 as a result of an increase in the demand for our services, as well as an increase in their average salary and compensation level.

Our cost of raw materials increased by 37.8% from RMB194.9 million for the six months ended June 30, 2018 to RMB268.5 million for the same period of 2019, primarily due to our revenue growth as a result of the increased demand for our pharmaceutical R&D services.

Our depreciation and amortization expenses increased by 26.0% from RMB111.3 million for the six months ended June 30, 2018 to RMB140.2 million for the same period of 2019, primarily because the increased depreciation and amortization in connection with our new facilities in Ningbo, China.

Gross Profit and Gross Profit Margin

Our gross profit increased by 31.2% from RMB398.3 million for the six months ended June 30, 2018 to RMB522.4 million for the same period of 2019. Our gross profit margin remained stable at 31.3% for the six months ended June 30, 2018 and 31.9% for the same period of 2019.

Gross profit of our laboratory services increased from RMB313.2 million for the six months ended June 30, 2018 to RMB395.4 million for the same period of 2019. Gross profit margin of our laboratory services remained stable at 36.7% for the six months ended June 30, 2018 to 37.3% for the same period of 2019.

Gross profit of our clinical development services increased from RMB40.2 million for the six months ended June 30, 2018 to RMB43.9 million for the same period of 2019 primarily due to the growth of our clinical research and radiolabelled science services provided to customers in the overseas market. Gross profit margin of our clinical development services decreased from 26.2% for the six months ended June 30, 2018 to 23.1% for the same period of 2019, primarily because of our continued integration of our clinical research services, including our newly acquired subsidiary CR Medicon in Nanjing, China.

Gross profit of our CMC services increased from RMB39.4 million for the six months ended June 30, 2018 to RMB77.5 million for the same period of 2019 primarily due to the increased demand for our CMC services and our additional facilities in Ningbo, China commenced operations. Gross profit margin of our CMC services increased from 15.5% for the six months ended June 30, 2018 to 20.6% for the same period of 2019, primarily due to the ramp up of our newly commissioned facilities in Tianjin, China and newly acquired facilities in Hoddesdon, the U.K.

Other Income and Gains

Our other income and gains increased by 108.1% from RMB10.2 million for the six months ended June 30, 2018 to RMB21.3 million for the same period of 2019, primarily due to one-off fair value gain of RMB10.4 million resulted from re-measurement of our equity interest in CR Medicon when it became our subsidiary in 2019.

Other Expenses

Our other expenses increased from RMB1.8 million for the six months ended June 30, 2018 to RMB12.6 million for the same period of 2019, primarily due to losses on derivative financial instrument of RMB10.5 million in connection with our foreign exchange hedging transactions in 2019.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 22.8% from RMB23.4 million for the six months ended June 30, 2018 to RMB28.8 million for the same period of 2019, primarily due to an increase in headcount of our business development staffs from 33 as of June 30, 2018 to 40 as of June 30, 2019 and an increase in salary level of our business development staffs.

Administrative Expenses

Our administrative expenses increased by 28.8% from RMB187.5 million for the six months ended June 30, 2018 to RMB241.5 million for the same period of 2019, primarily due to our continued business expansion.

Research and Development Expenses

Our research and development expenses increased by 83.4% from RMB14.6 million for the six months ended June 30, 2018 to RMB26.7 million for the same period of 2019, primarily due to our increased internal R&D activities for exploring and expanding into new service offerings and for further improving our CMC services.

Impairment Losses on Financial and Contract Assets, net of Reversal

We recorded impairment losses on financial and contract assets, net of reversal of RMB1.0 million for the six months ended June 30, 2018 and reversal of RMB0.7 million for the same period of 2019, respectively, which represented our allowance for expected credit losses in relevant periods.

Finance Costs

Our finance costs increased by 9.4% from RMB38.8 million for the six months ended June 30, 2018 to RMB42.4 million for the same period of 2019, primarily because we capitalized certain interest expenses in connection with our facilities in Ningbo, China in 2018. We ceased to capitalize such interest expenses when our facilities in Ningbo, China commenced operation in the second half of 2018.

Share of Losses of Associates

We recorded share of losses of our associates of RMB5.8 million for the six months ended June 30, 2019, mainly from CR Medicon (which became our subsidiary in May 2019) and LinkStart.

Income Tax Expense

Our income tax expense increased by 42.2% from RMB21.1 million for the six months ended June 30, 2018 to RMB30.0 million for the same period of 2019, primarily due to the increase in profit before tax as a result of the growth of our business operations.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our profit for the period increased by 30.1% from RMB120.4 million for the six months ended June 30, 2018 to RMB156.7 million for the same period of 2019. Our net profit margin remained stable at 9.5% for the six months ended June 30, 2018 to 9.6% for the same period of 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 26.8% from RMB2,294.1 million for the year ended December 31, 2017 to RMB2,908.1 million for the year ended December 31, 2018, primarily due to increasing demand for our services and expanded collaboration with existing customers.

Revenue generated from our laboratory services increased by 27.2% from RMB1,489.9 million for the year ended December 31, 2017 to RMB1,895.8 million for the year ended December 31, 2018, primarily due to an increase in demand for our laboratory services from our existing customers.

Revenue generated from our clinical development services increased by 54.3% from RMB225.2 million for the year ended December 31, 2017 to RMB347.5 million for the year ended December 31, 2018, primarily due to our successful integration of newly acquired subsidiaries in the U.S. and the U.K., and our efforts to cross-sell our expanded service offerings, such as our radiostope synthesis-clinical-analysis services, to our existing customers.

Revenue generated from our CMC services increased by 14.7% from RMB562.9 million for the year ended December 31, 2017 to RMB645.8 million for the year ended December 31, 2018, which was primarily due to the continued expansion of our CMC operations and an increase in the number of our CMC customers in relevant periods.

Cost of sales

Our cost of sales increased by 29.0% from RMB1,519.7 million for the year ended December 31, 2017 to RMB1,960.1 million for the year ended December 31, 2018, primarily reflecting our revenue growth and the expansion of our operations. Our cost of sales as a percentage to our revenue increased slightly from 66.2% in 2017 to 67.4% in 2018, primarily due to our service mix provided in relevant periods.

Our labor costs increased by 31.7% from RMB770.3 million for the year ended December 31, 2017 to RMB1,014.7 million for the year ended December 31, 2018, primarily because the headcount of scientists and technicians increased from 4,414 as of December 31, 2017 to 5,327 as of December 31, 2018 as a result of an increase in the demand for our services, as well as an increase in their average salary and compensation level.

Our cost of raw materials increased by 27.0% from RMB372.5 million for the year ended December 31, 2017 to RMB473.2 million for the year ended December 31, 2018, which was largely in line with our revenue growth as a result of the increased demand for our pharmaceutical R&D services.

Our depreciation and amortization expenses increased by 30.2% from RMB182.5 million for the year ended December 31, 2017 to RMB237.7 million for the year ended December 31, 2018, primarily because the increased depreciation and amortization in connection with our new facilities in Tianjin, China and Ningbo, China, which commenced operations in the second half of 2017 and 2018, respectively, as well as the additional equipment we purchased.

Gross Profit and Gross Profit Margin

Our gross profit increased by 22.4% from RMB774.5 million for the year ended December 31, 2017 to RMB948.1 million for the year ended December 31, 2018. Our gross profit margin decreased slightly from 33.8% for the year ended December 31, 2017 to 32.6% for the year ended December 31, 2018, primarily due to (i) our service mix provided in relevant periods, and (ii) the ramp up period of our newly commissioned facilities in Tianjin, China and Ningbo, China in the second half of 2017 and 2018, respectively.

Gross profit of our laboratory services increased from RMB597.4 million for the year ended December 31, 2017 to RMB709.6 million for the year ended December 31, 2018. Gross profit margin of our laboratory services decreased from 40.1% for the year ended December 31, 2017 to 37.4% for the year ended December 31, 2018 primarily driven by our newly commissioned facilities in Ningbo, China that is still in the ramp up period, which was partially offset by higher operating efficiency due to economies of scale and our efforts in cross-selling our services.

Gross profit of our clinical development services increased from RMB35.0 million for the year ended December 31, 2017 to RMB88.6 million for the year ended December 31, 2018. Gross profit margin of our clinical development services increased from 15.6% for the year ended December 31, 2017 to 25.5% for the year ended December 31, 2018 primarily due to our cross-sell efforts to existing customers and our successful integration of acquired subsidiaries in the U.S. and the U.K.

Gross profit of our CMC services increased from RMB132.5 million for the year ended December 31, 2017 to RMB139.8 million for the year ended December 31, 2018. Gross profit margin of our CMC services decreased from 23.5% for the year ended December 31, 2017 to 21.7% for the year ended December 31, 2018 primarily due to the ramp up period of our newly commissioned facilities in Tianjin, China and our newly acquired facilities in Hoddesdon, U.K.

Other Income and Gains

Our other income and gains increased from RMB16.2 million for the year ended December 31, 2017 to RMB53.8 million for the year ended December 31, 2018, primarily due to net foreign exchange gains of RMB30.1 million we recorded and a RMB7.1 million increase in government grants received by some of our PRC subsidiaries in 2018.

Other Expenses

We recorded other expenses of RMB6.8 million for the year ended December 31, 2018, compared with other expenses of RMB36.0 million for the year ended December 31, 2017, primarily due to net foreign exchange losses we recorded in 2017 as a result of fluctuations in foreign exchange rate of RMB against the U.S. dollars.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 15.9% from RMB47.2 million for the year ended December 31, 2017 to RMB54.6 million for the year ended December 31, 2018, primarily due to a RMB6.2 million increase in staff costs as a result of increased headcounts in our business development team from 29 as of December 31, 2017 to 37 as of December 31, 2018.

Administrative Expenses

Our administrative expenses increased by 21.6% from RMB345.8 million for the year ended December 31, 2017 to RMB420.5 million for the year ended December 31, 2018, primarily due to a RMB29.8 million increase in our staff costs which reflected our increased headcount of administrative personnel from 723 as of December 31, 2017 to 807 as of December 31, 2018 as a result of the continued expansion of our business operations.

Research and Development Costs

Our research and development expenses increased by 39.8% from RMB22.6 million for the year ended December 31, 2017 to RMB31.6 million for the year ended December 31, 2018, primarily due to a RMB9.0 million increase in salaries and benefits paid to our R&D staffs in connection with our internal research and development activities.

Impairment Losses on Financial and Contract Assets, net of Reversal

We recorded impairment losses on financial and contract assets of RMB2.2 million, RMB8.9 million in 2017 and 2018, respectively, based on our financial models and accounting estimates.

Finance Costs

Our finance cost increased by 20.2% from RMB68.5 million for the year ended December 31, 2017 to RMB82.4 million for the year ended December 31, 2018 primarily in connection with our increased bank borrowings.

Share of Losses of Associates

We acquired minority equity interest in an associate CR Medicon in 2018 and recorded share of loss of such associate of RMB1.1 million for the year ended December 31, 2018.

Income Tax Expense

Our income tax expense increased by 20.7% from RMB49.8 million for the year ended December 31, 2017 to RMB60.1 million for the year ended December 31, 2018, primarily due to the increase in profit before tax as a result of the growth of our business operations.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 53.6% from RMB218.7 million for the year ended December 31, 2017 to RMB335.8 million for the year ended December 31, 2018. Our net profit margin increased from 9.5% for the year ended December 31, 2017 to 11.5% for the year ended December 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 40.4% from RMB1,634.2 million for the year ended December 31, 2016 to RMB2,294.1 million for the year ended December 31, 2017, primarily due to the revenue growth attributable to increasing demand for our pharmaceutical R&D services and expanded collaboration with existing customers.

Revenue generated from our laboratory services increased by 28.6% from RMB1,158.2 million for the year ended December 31, 2016 to RMB1,489.9 million for the year ended December 31, 2017, primarily due to our continued expansion and an increased demand for our laboratory services from our existing customers.

Revenue generated from our clinical development services increased by 51.9% from RMB148.2 million for the year ended December 31, 2016 to RMB225.2 million for the year ended December 31, 2017, primarily due to the acquisition of our U.S. subsidiaries, which expanded our clinical development capabilities and capacity.

Revenue generated from our CMC services increased by 71.7% from RMB327.7 million for the year ended December 31, 2016 to RMB562.9 million for the year ended December 31, 2017, which was primarily due to the continued expansion of our CMC operations and our additional facilities in Tianjin which commenced operations in 2017.

Cost of sales

Our cost of sales increased by 33.7% from RMB1,136.3 million for the year ended December 31, 2016 to RMB1,519.7 million for the year ended December 31, 2017, primarily reflecting our revenue growth and the expansion of our operations. Our cost of sales as a percentage to our revenue decreased from 69.5% in 2016 to 66.2% in 2017, primarily due to the economies of scale resulted from our continued expansion.

Our labor costs increased by 34.1% from RMB574.4 million for the year ended December 31, 2016 to RMB770.3 million for the year ended December 31, 2017, primarily because (i) the headcount of scientists and technicians increased from 3,592 as of December 31, 2016 to 4,414 as of December 31, 2017 as a result of an increase in the demand for our services, and (ii) the average salary and compensation package of our employees increased in 2017.

Our cost of raw materials increased by 43.8% from RMB259.1 million for the year ended December 31, 2016 to RMB372.5 million for the year ended December 31, 2017, which was largely in line with our revenue growth.

Our depreciation and amortization expenses increased by 47.3% from RMB123.9 million for the year ended December 31, 2016 to RMB182.5 million for the year ended December 31, 2017, primarily because the increased depreciation and amortization in connection with the consolidation of financial results of our newly acquired subsidiaries, the commencement of operations of our additional facilities in Tianjin, China, our acquisition of additional facilities in the U.K., as well as the additional equipment we purchased.

Gross Profit and Gross Profit Margin

Our gross profit increased by 55.5% from RMB497.9 million for the year ended December 31, 2016 to RMB774.5 million for the year ended December 31, 2017. Our gross profit margin increased from 30.5% for the year ended December 31, 2016 to 33.8% for the year ended December 31, 2017, primarily due to the higher operating efficiency we achieved due to economies of scale.

Gross profit of our laboratory services increased from RMB395.1 million for the year ended December 31, 2016 to RMB597.4 million for the year ended December 31, 2017. Gross profit margin of our laboratory services increased from 34.1% for the year ended December 31, 2016 to 40.1% for the year ended December 31, 2017, primarily reflecting higher operating efficiency of our facilities due to economies of scale and our efforts in cross-selling our services.

Gross profit of our clinical development services increased from RMB20.6 million for the year ended December 31, 2016 to RMB35.0 million for the year ended December 31, 2017 primarily reflecting the growth in our revenue from clinical development services as a result of our acquisition of our U.S. subsidiaries. Gross profit margin of our clinical development services for the year ended December 31, 2016 and 2017 remained relatively stable at 13.9% and 15.6%, respectively.

Gross profit of our CMC services increased from RMB82.1 million for the year ended December 31, 2016 to RMB132.5 million for the year ended December 31, 2017 primarily due to the increased demand for our CMC services and our additional facilities in Tianjin, China commenced operations. Gross profit margin of our CMC services decreased from 25.1% for the year ended December 31, 2016 to 23.5% for the year ended December 31, 2017, primarily reflecting the ramp up period of our newly commissioned facilities in Tianjin, China.

Other Income and Gains

Our other income and gains decreased by 58.6% from RMB39.0 million for the year ended December 31, 2016 to RMB16.2 million for the year ended December 31, 2017, primarily due to the net foreign exchange gains we recorded in 2016 of RMB17.0 million.

Other Expenses

Our other expenses increased from RMB4.5 million for the year ended December 31, 2016 to RMB36.0 million for the year ended December 31, 2017, primarily due to a net foreign exchange losses of RMB34.7 million resulted from the fluctuations in foreign exchange rate of RMB against the U.S. dollars in 2017.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 47.2% from RMB32.0 million for the year ended December 31, 2016 to RMB47.2 million for the year ended December 31, 2017, primarily due to a RMB12.3 million increase in staff costs resulted from the expansion in our business development team as a result of the acquisitions of our U.S. subsidiaries.

Administrative Expenses

Our administrative expenses increased by 37.0% from RMB252.3 million for the year ended December 31, 2016 to RMB345.8 million for the year ended December 31, 2017, primarily due to a RMB51.0 million increase in our staff costs which reflected our increased headcount of administrative personnel from 506 as of December 31, 2016 to 723 as of December 31, 2017 as a result of the continued expansion of our business operations and the acquisition of our U.S. subsidiaries.

Research and Development Costs

Our research and development expenses increased by 37.5% from RMB16.4 million for the year ended December 31, 2016 to RMB22.6 million for the year ended December 31, 2017, primarily due to an increase in salaries and benefits paid to our R&D staffs in connection with our internal research and development activities.

Impairment Losses on Financial and Contract Assets, net of Reversal

We recorded impairment losses on financial and contract assets of RMB1.7 million and RMB2.2 million in 2016 and 2017, respectively, based on our financial models and accounting estimates.

Finance Costs

Our finance costs increased by 220.6% from RMB21.4 million for the year ended December 31, 2016 to RMB68.5 million for the year ended December 31, 2017 primarily in connection with our increased bank borrowing to fund our purchase of facilities in Beijing, China.

Income Tax Expense

Our income tax expense increased by 33.8% from RMB37.2 million for the year ended December 31, 2016 to RMB49.8 million for the year ended December 31, 2017, primarily due to the increase in profit before tax as a result of the growth of our business operations.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 27.6% from RMB171.3 million for the year ended December 31, 2016 to RMB218.7 million for the year ended December 31, 2017. Our net profit margin decreased from 10.5% for the year ended December 31, 2016 to 9.5% for the year ended December 31, 2017.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth our current assets, current liabilities and net current assets for the dates indicated:

	As at December 31,			As at June 30,	As at September 30,
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CURRENT ASSETS					
Inventories	42,847	59,015	70,148	81,186	93,454
Contract costs	49,730	34,251	50,313	61,920	67,875
Trade receivables	352,048	494,897	603,993	654,058	752,397
Contract assets	36,575	43,834	51,078	114,147	101,991
Prepayments, other receivables and other assets	141,334	133,347	179,451	228,853	239,929
Financial assets at fair value through profit or loss	—	—	—	125,000	142,000
Derivative financial instruments	—	—	413	—	—
Pledged deposits	8,266	11,898	13,476	8,218	10,368
Cash and cash equivalents	461,944	293,601	307,235	331,324	307,822
Total current assets	1,092,744	1,070,843	1,276,107	1,604,706	1,715,836
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	305,715	467,212	534,968	590,150	638,414
Trade payables	61,322	91,640	108,220	122,056	124,020
Other payables and accruals	197,179	247,667	403,955	451,890	366,474
Contract liabilities	83,463	106,939	187,156	194,784	239,882
Lease liabilities	22,396	44,926	60,336	57,892	59,044
Derivative financial instruments	—	—	—	3,130	10,418
Tax payable	8,023	22,270	13,413	16,860	19,490
Total current liabilities	678,098	980,654	1,308,048	1,436,762	1,457,742
NET CURRENT ASSETS/LIABILITIES	414,646	90,189	(31,941)	167,944	258,094

We recorded net current assets of RMB167.9 million as of June 30, 2019, compared with net current liabilities of RMB31.9 million as of December 31, 2018, primarily due to the net proceeds of RMB432.9 million that we received in connection with our A Share Offering. Our net current assets further increased to RMB258.1 million as of September 30, 2019, primarily due an increase in trade receivables of RMB98.3 million which is in line with the growth of our revenue.

We recorded net current liabilities of RMB31.9 million as of December 31, 2018, compared with net current assets of RMB90.2 million as of December 31, 2017. Such net current liabilities position was primarily due to a RMB156.3 million increase in other payables and accruals in connection with our staff payroll and the construction of our Ningbo facilities, a RMB67.8 million

increase in short-term interest-bearing bank and other borrowings as some long term borrowings would mature within one year and were classified as current liabilities and a RMB80.2 million increase in contract liabilities as a result of the strong demand for our services, partially offset by a RMB109.1 million increase in trade receivables and a RMB46.1 million increase in prepayments, other receivables and other assets as of December 31, 2018. The increase in trade and other receivables was primarily due to increased demand for our pharmaceutical R&D services by our customers.

We recorded net current assets of RMB90.2 million as of December 31, 2017, compared with net current assets of RMB414.6 million as of December 31, 2016, primarily due to a RMB161.5 million increase in interest-bearing bank and other borrowings due within one year in 2017 in connection with our business expansion, a RMB50.5 million increase in other payables and accruals and a RMB30.3 million in trade payable, partially offset by a RMB142.8 million increase in trade receivables.

Inventories

Our inventories include raw materials and consumables used for our pharmaceutical R&D services. Our inventories increased from RMB42.8 million as of December 31, 2016 to RMB59.0 million as of December 31, 2017 and further to RMB70.1 million as of December 31, 2018 and RMB81.2 million as of June 30, 2019, primarily as a result of the growth of our business. Subsequent to the Track Record Period, we have consumed inventories of RMB43.7 million as of September 30, 2019, representing 50.3% of our inventories as of June 30, 2019.

Contract Costs

Our contract costs are costs incurred to fulfil a contract with a customer which are capitalised as an asset, mainly comprise materials consumed, cost of labor and other costs directly engaged in providing certain laboratory, clinical development and CMC services under the FFS model. Our services in progress decreased from RMB49.7 million as of December 31, 2016 to RMB34.3 million as of December 31, 2017 and increased to RMB50.3 million as of December 31, 2018, primarily attributable to the project schedules in connection with our pharmaceutical R&D services. Our services in progress further increased to RMB61.9 million as of June 30, 2019, primarily reflecting the demand from customers on our CMC services.

Contract Assets/Liabilities

Our contract assets mainly consist of our right to consideration for work completed for our customers. We recorded contract assets of RMB36.6 million RMB43.8 million, RMB51.1 million and RMB114.1 million as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively. Subsequent to the Track Record Period, we have settled contract assets of RMB81.2 million as of September 30, 2019, representing 69.3% of our contract assets as of June 30, 2019.

Our contract liabilities represent our obligation to render services to a customer for which we have received consideration (or an amount of consideration is due) from such customer. We recorded contract liabilities of RMB83.5 million RMB106.9 million, RMB187.2 million and RMB194.8 million as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively.

Our contract assets and contract liabilities continued to increase during the Track Record Period as our business operations continued to grow.

Trade and Other Receivables

The following table shows a breakdown of our trade and other receivables by category as of the dates indicated:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Trade receivables – third parties	362,568	499,669	617,751	666,912
Allowance for impairment	(10,520)	(4,772)	(13,758)	(12,854)
	352,048	494,897	603,993	654,058
Other receivables				
Prepayments	5,037	2,429	3,600	9,521
Deposits and other receivables	56,937	4,471	11,104	71,711
Prepaid expenses	11,748	18,125	28,603	33,647
Value added tax recoverable	64,735	99,905	118,208	111,474
Others	2,877	8,417	17,936	2,500
	141,334	133,347	179,451	228,853

Trade receivables from third parties primarily comprise of the outstanding amounts receivable by us for the pharmaceutical R&D services we provided to customers. We generally gives our customers a credit term of 30 to 90 days. The balances of our trade receivables are non-interest-bearing. We seek to maintain strict control over our outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by our senior management.

Our trade and other receivables increased by 12.7% from RMB783.4 million as of December 31, 2018 to RMB882.9 million as of June 30, 2019, primarily due to our continued business expansion, which is partially offset by advance payment of professional fees in connection with our A Share Offering of RMB17.2 million recorded in 2018.

Our trade and other receivables increased by 24.7% from RMB628.2 million as of December 31, 2017 to RMB783.4 million as of December 31, 2018, primarily due to a RMB118.1 million increase in trade receivables from third parties and a RMB18.3 million increase in value-added tax recoverable, which was in line with the growth of our business operations.

Our trade and other receivables increased by 27.3% from RMB493.4 million as of December 31, 2016 to RMB628.2 million as of December 31, 2017, primarily due to a RMB137.1 million increase in trade receivables from third parties and a RMB35.2 million increase in value added tax recoverable, which was in line with the growth of our business operations.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or disagreement with our customers in relation to the timing, amounts of billing or the collection of our trade receivables. Our trade receivables (including allowance for impairment) increased by 40.6% from RMB352.0 million as of December 31, 2016 to RMB494.9 million as of December 31, 2017, increased by 22.0% to RMB604.0 million as of December 31, 2018, and further increased by 8.3% to RMB654.1 million as of June 30, 2019, which was primarily due to, and generally in line with, the growth of our business during the Track Record Period.

The following is an aging analysis of trade receivables presented based on the invoice dates, at the end of each year/period in Track Record Period:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	352,713	496,166	599,331	650,882
1 year to 2 years	1,697	3,287	15,330	13,291
More than 2 years	8,158	216	3,090	2,739
	362,568	499,669	617,751	666,912

In determining the recoverability of the trade receivable, we consider any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date. The credit quality of trade receivables that were neither past due nor impaired had not changed during the Track Record Period.

We determine the allowance for impairment based on the evaluation of collectability and aging analysis of the receivables and on our management's judgment including the assessment of change in credit quality and the past collection history of each customer. The following table sets forth the movement of allowance for impairment as of the dates indicated:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	8,697	10,520	4,772	13,758
Impairment losses, (net)	995	1,652	8,807	(950)
Write off	—	(7,805)	—	—
Exchange realignment	828	405	179	46
	10,520	4,772	13,758	12,854

For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, our trade receivables turnover days remained relatively stable at 66.5 days, 67.7 days, 69.2 days and 70.7 days, respectively. We calculate the trade receivables turnover days using the average of the opening and closing balances of trade receivables for the relevant year/period (before adjustment of allowance for impairment), divided by the corresponding revenue for the year/period, and then multiplied by 360 days for a year and 180 days for a six month period, respectively. Subsequent to the Track Record Period, we have settled trade receivables of RMB497.5 million as of September 30, 2019, representing 74.6% of our trade receivables as of June 30, 2019.

In addition, for the years ended December 31, 2016, 2017 and 2018, our trade receivables and contract assets turnover days remained relatively stable at 72.7 days, 74.1 days and 75.2 days, respectively. In the six months ended June 30, 2019, our trade receivable and contract assets turnover days increased to 80.0 days, which primarily reflected the increased balance of contract assets as a result of the increased contribution of our revenue generated under FFS model in such period. We calculate the trade receivables and contract assets turnover days using the average of the opening and closing balances of the sum of trade receivables and contract assets for the relevant year/period (before adjustment of allowance for impairment), divided by the corresponding revenue for the year/period, and then multiplied by 360 days for a year and 180 days for a six month period, respectively.

Trade and Other Payables

Trade payables to third parties mainly represent the balances due to our suppliers for purchase of raw materials. Other payables mainly consist of staff payroll and welfare payables and payables for acquisition of plant and equipment.

As at December 31, 2016, 2017, 2018 and June 30, 2019, our trade and other payables were RMB258.5 million, RMB339.3 million, RMB512.2 million and RMB573.9 million, respectively. The increases in our trade and other payables were primarily due to increases in our procurement of raw materials, as well as staff payroll and welfare payables and payables for acquisition of plant and equipment along with our continued expansion.

Our suppliers generally give us a credit term between 30 day to 90 days from the time when the goods are received from the suppliers. The following is an aging analysis of trade payables, at the end of each reporting period:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	59,464	90,757	106,041	119,700
Over 1 year	1,858	883	2,179	2,356
	61,322	91,640	108,220	122,056

For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, our trade payables turnover days remained stable at 16.3 days, 18.1 days, 18.4 days and 18.6 days, respectively. We calculate the trade payables turnover days using the average of the opening and closing balances of trade payables for the relevant year/period, divided by the corresponding cost of sales for the year/period, and then multiplied by 360 days for a year and 180 days for a six month period, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Our primary uses of cash are to fund our payment for the purchase of property, plant and equipment, purchase of raw materials, labor costs, other recurring expenses and working capital. During the Track Record Period, we funded our working capital and other capital expenditure requirements through a combination of cash generated from operations, proceeds from our A-share listing and bank borrowings. The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Operating cash flow before working capital adjustments	405,149	574,742	809,286	331,989	413,524
Net cash flows generated from operating activities	260,460	594,138	790,744	158,037	252,315
Net cash flows used in investing activities	(1,139,082)	(1,279,911)	(714,599)	(323,917)	(502,067)
Net cash generated from/(used in) financing activities	1,256,275	530,314	(69,046)	87,359	278,194
Net increase/(decrease) in cash and cash equivalents	377,653	(155,459)	7,099	(78,521)	28,442
Cash and cash equivalents at beginning of year/period	74,987	461,944	293,601	293,601	307,235
Effect of foreign exchange rate changes, net	9,304	(12,884)	6,535	(269)	(4,353)
Cash and cash equivalents at end of year/period	461,944	293,601	307,235	214,811	331,324

Operating Activities

Our cash inflow from operating activities primarily reflects service fees from our customers for our services. Cash outflow from operating activities primarily comprises payments for labor costs and raw materials, income tax, administration and other operating expenses.

For the six months period ended June 30, 2019, our net cash generated from operations was RMB252.3 million. In such period, the difference between our net cash from operating activities and our profit before tax of RMB186.7 million primarily resulted from depreciation of property, plant and equipment of RMB148.2 million, finance costs of RMB42.4 million and depreciation of right-of-use assets of RMB29.7 million, partially offset by change in working capital. Change in working capital accounts primarily included (i) an increase in our contract assets of RMB56.0 million, (ii) an increase in trade receivables of RMB48.7 million and (iii) an increase in prepayments and other receivables and other assets of RMB36.8 million, along with our business expansion.

For the year ended December 31, 2018, our net cash generated from operations was RMB790.7 million. In 2018, the difference between our net cash from operating activities and our profit before tax of RMB395.9 million primarily resulted from depreciation of property, plant and equipment of RMB255.2 million, finance costs of RMB82.4 million, depreciation of right-of-use assets of RMB58.0 million, and change in working capital of RMB38.0 million. Change in working capital accounts primarily included (i) an increase in trade receivables of RMB118.1 million and (ii) an increase in prepayments and other receivables and other assets of RMB49.4 million, which was partially offset by an increase in accruals and other payables of RMB107.4 million and an increase in contract liabilities of RMB80.2 million.

For the year ended December 31, 2017, our net cash generated from operations was RMB594.1 million. In 2017, the difference between our net cash from operating activities and our profit before tax of RMB268.4 million primarily resulted from depreciation of property, plant and equipment of RMB186.2 million, finance costs of RMB68.5 million, change in working capital of RMB57.4 million, and depreciation of right-of-use assets of RMB44.2 million. Change in working capital accounts primarily included an increase in accruals and other payables of RMB111.1 million and a decrease in prepayments, other receivables and other assets of RMB65.1 million, which was partially offset by an increase in trade receivables of RMB130.5 million.

For the year ended December 31, 2016, our net cash generated from operations was RMB260.5 million. In 2016, the difference between our net cash from operating activities and our profit before tax of RMB208.6 million primarily resulted from depreciation of property, plant and equipment of RMB124.5 million, finance costs of RMB21.4 million, depreciation of right-of-use assets of RMB24.9 million, and share-based compensation expenses of RMB22.0 million, which was partially offset by change in working capital of RMB108.2 million. Change in working capital accounts primarily included (i) an increase in trade receivables of RMB96.4 million, (ii) an increase in prepayments and other receivables and other assets of RMB73.1 million and (iii) an increase in contract costs of RMB25.5 million primarily resulting from the growth of our business, which was partially offset by (i) an decrease in other non-current assets of RMB44.3 million, (ii) an increase in accruals and other payables of RMB27.2 million and (iii) an increase in contract liabilities of RMB25.0 million.

Investing Activities

Our cash used in investing activities mainly reflects our cash used in payments for purchases of plant and equipment, facilities for our operations and acquisition or investment in our subsidiaries and associate.

For the six months period ended June 30, 2019, our net cash used in investing activities was RMB502.1 million, primarily attributable to (i) payments for purchase of property, plant and equipment of RMB303.4 million, which were mainly in connection with our expansion along with the growth of our business, (ii) capital injection in our associates of RMB107.1 million and (iii) acquisition of our subsidiary CR Medicon of RMB59.5 million. Please refer to the paragraph headed "History and Corporate Structure—Acquisitions of Subsidiaries and Major Assets and Strategic Investment" in this prospectus for more information.

For the year ended December 31, 2018, our net cash used in investing activities was RMB714.6 million, primarily attributable to (i) payments for purchase of property, plant and equipment of RMB523.6 million, which were mainly in connection with the expansion of our facilities in Ningbo, China along with the growth of our business, (ii) RMB109.9 million payments for right-of-use assets in connection with land parcels in Shaoxing and Ningbo, China and (iii)

capital injection in our associates of RMB74.0 million. Please refer to the paragraph headed "History and Corporate Structure—Acquisitions of Subsidiaries and Major Assets and Strategic Investments" in this prospectus for more information.

For the year ended December 31, 2017, our net cash used in investing activities was RMB1,280.0 million, primarily attributable to (i) payments for purchase of property, plant and equipment of RMB874.1 million, which was mainly in connection with our purchases of facilities in the U.K. along with the growth of our business, (ii) a RMB345.6 million payment on acquisition of subsidiaries in connection with the acquisitions of our subsidiaries in the U.S., and (iii) RMB55.1 million payments for right-of-use assets in connection with a land parcel in Beijing, China.

For the year ended December 31, 2016, our net cash used in investing activities was RMB1,139.1 million, primarily attributable to (i) payments for purchase of property, plant and equipment of RMB962.1 million, which was mainly in connection with our purchases of facilities in Beijing, China along with the growth of our business, (ii) a RMB80.7 million payment on acquisition of subsidiaries in the U.K. and (iii) RMB92.0 million payments for right-of-use assets in connection with a land parcel in Beijing.

Financing Activities

Our cash from and used in financing activities mainly comprises capital injection from shareholders as well as proceeds and repayment of bank loans and other borrowings.

For the six months period ended June 30, 2019, our net cash generated from financing activities was RMB278.2 million, primarily attributable to proceeds from our issuance of our shares of RMB458.5 million in connection with our A Share Offering and proceeds from bank loans and other borrowings of RMB388.7 million, partially offset by the repayment of bank loans and other borrowings of RMB482.3 million.

For the year ended December 31, 2018, our net cash used in financing activities was RMB69.0 million, primarily attributable to (i) our repayments of bank loans and other borrowings of RMB479.5 million, (ii) the interest of bank loans and other borrowings paid by us of RMB74.6 million and (iii) payments of lease liabilities of RMB55.8 million, partially offset by the proceeds from bank loans and other borrowings of RMB540.9 million.

For the year ended December 31, 2017, our net cash generated from financing activities was RMB530.3 million, primarily attributable to proceeds from bank loans and other borrowings of RMB931.4 million, partially offset by (i) our repayments of bank loans and other borrowings of RMB291.3 million and (ii) payments of lease liabilities of RMB49.2 million and (iii) the interest of bank loans and other borrowings paid by us of RMB60.6 million.

For the year ended December 31, 2016, our net cash generated from financing activities was RMB1,256.3 million, primarily attributable to capital injection from our shareholders of RMB881.4 million and proceeds from bank borrowings of RMB606.3 million, partially offset by our repayment of bank loans and other borrowings of RMB189.1 million and payments of lease liabilities of RMB27.9 million.

Working Capital

As of December 31, 2016, 2017, 2018 and June 30, 2019, we had cash and cash equivalents of RMB461.9 million, RMB293.6 million, RMB307.2 million and RMB331.3 million, respectively. Our cash and cash equivalents increased significantly in the six months ended June 30, 2019 primarily due to the proceeds we received from our A Share Offering. Taking into account the estimated net proceeds of the Global Offering, cash flow generated from our operations and credit facilities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next twelve months from the date of this prospectus. Please refer to the paragraph headed "—Discussion of Selected Items from the Consolidated Statements of Financial Position" in this section for more information.

CAPITAL EXPENDITURES

Our principal capital expenditures primarily related to purchases of property, plant and equipment in relation to facilities construction and equipment purchases. The following table sets forth a breakdown of our historical capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Purchases of property, plant and equipment	962,058	874,100	523,609	303,386
Additions of other intangible assets	1,387	5,485	7,525	4,204
Purchase of right-of-use assets	92,045	55,081	109,850	—
Total	1,055,490	934,666	640,984	307,590

We expect to incur approximately RMB590.0 million in capital expenditures in 2019, which we expect to fund primarily through cash generated from operations, bank facilities and net proceeds to be received from the Global Offering. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

INDEBTEDNESS

As of December 31, 2018 and June 30, 2019, our outstanding bank loans amounted to RMB1,434.0 million and RMB1,330.5 million, respectively. The following table sets out our bank loans as of the dates indicated:

	As at December 31,			As at June 30,	As at September 30,
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current					
Secured bank loans	146,690	280,222	385,215	496,998	462,058
Unsecured bank loans	102,548	133,643	112,408	71,962	155,181
Secured other borrowings	56,477	53,347	37,345	21,190	21,175
Lease liabilities	22,396	44,926	60,336	57,892	59,044
	328,111	512,138	595,304	648,042	697,458
Non-Current					
Secured bank loans	315,000	723,087	770,094	681,950	796,258
Unsecured bank loans	—	106,380	106,040	46,100	—
Secured other borrowings	47,761	59,983	22,865	12,314	7,039
Lease liabilities	98,265	200,439	145,166	124,395	111,512
	461,026	1,089,889	1,044,165	864,759	914,809

	As at December 31,			As at June 30,	As at September 30,
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, other borrowings and lease liabilities repayable:					
Within one year	328,111	512,138	595,304	648,042	697,458
In the second year	89,910	227,066	286,806	199,017	170,493
In the third to fifth years, inclusive	155,792	550,998	527,283	417,263	489,770
Beyond five years	215,324	311,825	230,076	248,479	254,546
	789,137	1,602,027	1,639,469	1,512,801	1,612,267

The bank loans bears a variable interest rate depending on the benchmark interest rate published by the People's Bank of China. The effective interest rates of our bank borrowings ranged between 4.785% to 6.250%, 4.000% to 6.500%, 3.200% to 6.500%, and 3.200% to 6.500% per annum for 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. For details of our assets as at December 31, 2016, 2017, 2018 and June 30, 2019 that have been pledged as collateral to secure our bank loans, see Note 31 to the Accountant's Report in Appendix I to this prospectus. As of the Latest Practicable Date, we had an aggregate of unutilized credit facilities of RMB631.6 million. We plan to draw down such credit facilities should any capital expenditure need arise in the future.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in bank and other borrowings, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors

further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in obtaining credit facilities, or withdrawal of facilities or request for early repayment.

Save as otherwise disclosed under the paragraphs headed "—Indebtedness" and "—Contractual Obligations" in this section and the section headed "Summary—Recent Development", we did not have any material increase in outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of the Latest Practicable Date. As of the same date, we had not guaranteed the indebtedness of any independent third parties.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments are related to purchase of equipment and building construction in connection with our new facilities in Tianjin, Ningbo and Shaoxing, China. We expect to satisfy our capital commitments using net proceeds to be received from the Global Offering, cash from operations and bank facilities available to us. The following table sets forth our capital commitments as of the date indicated:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for property, plant and equipment	26,027	103,151	31,577	329,177

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save for the contractual obligations disclosed under the paragraphs headed "—Indebtedness", "—Contractual Obligations" in this section and the paragraphs headed "Risk Factors—Risks Relating to Our Business and Our Industry" in this prospectus, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our equity interests and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we have entered into a number of related party transactions pursuant to which: (i) we procured raw materials and services in connection with our pharmaceutical R&D services from the entities controlled by close family members of a substantial shareholder; (ii) we leased certain properties for our operations in the Beijing Economic and Technological Development Zone, which was later on acquired by us, from Beijing Kangtaibo, a company controlled by close family members of one of our Directors; (iii) we used the property management services provided by Beijing Kangtaibo; (iv) certain shareholders and entities controlled by close family members of a shareholder guaranteed certain bank loans entered into by us; and (v) we provided remuneration to the directors and other members of key management of our Group. In 2016, 2017, 2018 and the six months ended June 30, 2019, our material transactions with related parties relevant periods amounted to RMB139.0 million, RMB991.1 million, RMB2.7 million and RMB2.1 million, respectively. As of the Latest Practicable Date, all our related party transactions described above (except those continuing related party transactions in connection with (i) the purchases of certain raw materials for our R&D activities, (ii) the bank guarantees and (iii) remuneration of our directors and key management) had been terminated. For more details about our related party transactions, see Note 45 to the Accountant's Report in Appendix I to this prospectus.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including currency risk, interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. Save as disclosed below, we did not hedge or consider necessary to hedge any of these risks as of the Latest Practicable Date. For further details, including relevant sensitivity analysis, see Note 48 to the accountants' report set out in Appendix I to this prospectus.

Currency Risk

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and other receivables which are denominated in currencies other than their respective functional currencies. We are mainly exposed to the foreign currency of U.S. dollars. For example, our revenue was primarily generated from sales denominated in currencies other than RMB, while a majority of our cost of sales and a vast majority of our operating costs and expenses were denominated in RMB. We began to enter into currency hedging transactions, such as long-term or short-term forward contracts, since 2018, and we expect to enter into hedging transactions more regularly in 2019. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency exchange rate.

Sensitivity analysis

The following table details our sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the Track Record Period for a 5% change in foreign currency rates.

	Year ended December 31, 2016
	RMB'000
Increase/(decrease) in profit before tax:	
if RMB weakens against USD	22,002
if RMB strengthens against USD	(22,002)

	Year ended December 31, 2017
	RMB'000
Increase/(decrease) in profit before tax:	
if RMB weakens against USD	34,096
if RMB strengthens against USD	(34,096)

	Year ended December 31, 2018
	RMB'000
Increase/(decrease) in profit before tax:	
if RMB weakens against USD	41,647
if RMB strengthens against USD	(41,647)

	Six months ended June 30, 2019
	RMB'000
Increase/(decrease) in profit before tax:	
if RMB weakens against USD	47,502
if RMB strengthens against USD	(47,502)

Interest Rate Risk

We are exposed to the risk of changes in interest rates relates primarily to our interest-bearing bank loans and other borrowings. We do not use derivative financial instruments to manage such interest rate risk. Our management monitors our interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to reasonably possible changes in interest rate, with all other variables held constant, of our profit before tax (mainly the impact on floating rate borrowings). Our equity is not affected, other than the consequential effect on the accumulated losses of the changes in profit before tax as disclosed below.

	Increase/(decrease) in basis points	(Decrease)/increase in profit before tax
		RMB'000
Year ended December 31, 2016	100/(100)	(4,446)/4,446
Year ended December 31, 2017	100/(100)	(10,435)/10,435
Year ended December 31, 2018	100/(100)	(10,363)/10,363
Six months ended June 30, 2019	100/(100)	(4,798)/4,798

Credit Risk

We are exposed to credit risk primarily arising from trade and other receivables. Our maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognized financial assets was the carrying amounts of those assets as stated in the consolidated statements of financial position. In order to minimize the credit risk, we review the recoverable amount of each individual trade debt periodically and our management has monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In this regard, our Directors are of the view that our credit risk is significantly reduced.

We have no concentration of credit risk from third party debtors. The carrying amounts of restricted cash, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to its financial assets. We expect that there is no significant credit risk associated with our restricted bank balances and cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Our management does not expect that there will be any significant losses from non-performance by these counterparties.

Liquidity Risk

Our policy is to maintain sufficient cash and bank balances or to have available funding through the use of bank loans and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan. As of December 31, 2016, 2017 and June 30, and September 30, 2019, we recorded net current assets of RMB414.6 million, RMB90.2 million, RMB167.9 million and RMB258.1 million, respectively, while we recorded net current liabilities of RMB31.9 million as of December 31, 2018. Our net current liabilities as of December 31, 2018 were primarily due to (i) a RMB156.3 million increase in other payables and accruals in connection with our staff payroll and the construction of our Ningbo facilities, (ii) a RMB67.8 million increase in short-term interest-bearing bank and other borrowings as some long-term borrowings would mature within one year and were classified as current liabilities and (iii) a RMB80.2 million increase in contract liabilities as a result of the strong demand for our services. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents as our management deems adequate to finance our operations and mitigate the effects of fluctuations in our cash flows. For the contractual maturity profile of our financial liabilities based on our remaining undiscounted cash flows based on the estimated timing of the net cash outflows, see Note 48 to the Accountant's Report in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2016	2017	2018	2019
		(%)		
Profitability ratios				
Gross profit margin[(1)]	30.5	33.8	32.6	31.9
Net profit margin[(2)]	10.5	9.5	11.5	9.6
Return on equity[(3)]	17.8	11.9	15.6	—
Liquidity ratio				
Current ratio[(4)]	161.1	109.2	97.6	111.7
Leverage ratio				
Gearing ratio[(5)]	11.2	31.6	27.7	22.1

Notes:

(1) Gross profit margin is calculated using gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated using profit for the year/period divided by revenue and multiplied by 100%.

(3) Return on equity is calculated using profit for the year attributable to equity shareholders of our Company divided by the average of the opening and closing balances of equity attributable to shareholders of our Company in the relevant year and multiplied by 100%.

(4) Current ratio is calculated using total current assets divided by total current liabilities and multiplied by 100%.

(5) Gearing ratio is calculated using interest-bearing borrowings and lease liabilities, less cash and cash equivalents divided by total assets and multiplied by 100%.

Please refer to the paragraph headed "—Discussion of Results of Operations" in this section for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

Our return on equity decreased from 17.8% for the year ended December 31, 2016 to 11.9% for the year ended December 31, 2017, primarily because we completed our pre-IPO financing in 2016, which significantly increased our total equity. Our return on equity increased from 11.9% for the year ended December 31, 2017 to 15.6% for the year ended December 31, 2018, primarily due to the increase in our net profit as a result of our continued growth.

Our current ratio decreased from 161.1% as of December 31, 2016 to 109.2% as of December 31, 2017, and further decreased to 97.6% as of December 31, 2018, primarily attributable to increases in our bank borrowings in 2017 and 2018 in connection with our continued growth and acquisitions. Our current ratio increased from 97.6% as of December 31, 2018 to 111.7% as of June 30, 2019, primarily due to the increase in our cash balance as a result of our A Share Offering.

Our gearing ratio increased from 11.2% as of December 31, 2016 to 31.6% as of December 31, 2017, primarily attributable to our increased bank borrowings in connection with our acquisitions in the U.S. and the U.K. in 2017. Our gearing ratio decreased from 31.6% as of December 31, 2017 to 27.7% as of December 31, 2018, primarily due to our continued business expansion while we maintained stable net debt. Our gearing ratio decreased from 27.7% as of December 31, 2018 to 22.1% as of June 30, 2019, primarily due to the increase in our total assets resulted from the proceeds from our A Share Offering. The gearing ratio numbers above are calculated based on our financial results after our early adoption of IFRS 16. If IFRS 16 were not early adopted by us, our gearing ratios as of December 31, 2016, 2017 and 2018 would be 7.6%, 27.3% and 24.6%. IFRS 16 was effective since January 1, 2019 and therefore there is no impact on our gearing ratio for the six months ended June 30, 2019.

PROPERTY INTERESTS

The property valuation report from Asia-Pacific Consulting and Appraisal Limited ("Asia-Pacific Consulting"), set out in Appendix III to this prospectus, sets forth details of our property interests at our Beijing facility as of September 30, 2019. The following table sets forth the reconciliation of the carrying values of these property interests as reflected in our consolidated balance sheet as of June 30, 2019 included in Appendix I – "Accountant's Report" to this prospectus with Asia-Pacific Consulting's valuation of the same property interests as of September 30, 2019 as set out in Appendix III to this prospectus.

	RMB'000
Net book value as of June 30, 2019	906,479
Amortization and depreciation for the three months ended September 30, 2019	(8,886)
Unaudited net book value as of September 30, 2019	897,593
Valuation surplus	215,067
Valuation as of September 30, 2019	1,112,660

DIVIDENDS

We did not pay or declare any dividend to our shareholders for the year ended December 31, 2016, 2017 and 2018. On May 15, 2019, our shareholders approved the 2018 Profit Distribution Plan, pursuant to which an aggregate amount of RMB72.2 million (inclusive of tax) were subsequently paid in July 2019 to our shareholders on the applicable record date, which amounted to a dividend of RMB1.10 (inclusive of tax) for every 10 Shares of our Company.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. We may distribute dividends by way of shares or cash, or a combination of both shares and cash. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Although the calculation of our net profit and distributable profits is in accordance with PRC GAAP, which may differ from the numbers calculated under IFRS, we do not expect such difference to be material and to have any substantive impact on our dividend policy. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders. Under our Articles of Association, when our Company makes profits in the current year and the accumulated undistributed profit is positive, our Company shall give priority to the distribution of cash dividends provided that there is no material capital expenditure or investment in the next 12 months. The total amount of the cash dividend distributed shall be at least 20% of total dividends in the same distribution.

While we generally expect to declare dividends once per year, in the event that our net profit for the first six months of a given year exceeds the net profit for the preceding year, our Directors have the discretion to declare and pay interim dividends which would be subject to the approval by our Shareholders in a general meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of distributable profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. In addition, as stipulated by our Articles, distributable profits are recognized as our net profit determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we and our PRC operating subsidiaries may not be able to pay a dividend in a given year if we or our PRC operating subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2018, we had distributable reserves of RMB533.1 million, which were available for distribution to our equity shareholders.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK$246.5 million, among which an estimated amount of HK$4.7 million is expected to be recognized as other expenses and the remaining HK$241.8 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2019.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at September 30, 2019 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of our adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as at September 30, 2019 following the Global Offering or as at any subsequent dates. It is prepared based on our unaudited consolidated

net tangible assets as at September 30, 2019 as derived from the condensed consolidated financial statements set out in Appendix IA of this prospectus and adjusted as described below.

	Unaudited consolidated net tangible assets as at September 30, 2019[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets as at September 30, 2019	Unaudited pro forma adjusted consolidated net tangible assets as at September 30, 2019 per Share[(3)]
	RMB'000	RMB'000	RMB'000	RMB
Based on an Offer Price of HK$34.50 per Offer Share.	2,755,188	3,387,122	6,142,310	7.91
Based on an Offer Price of HK$39.50 per Offer Share.	2,755,188	3,887,570	6,642,758	8.55

Notes:

(1) The unaudited consolidated net tangible assets attributable to owners of our Company as at September 30, 2019 is arrived at after deducting goodwill RMB205,165,000 and intangible assets of RMB34,196,000 from the unaudited consolidated equity attributable to owners of our Company of RMB2,994,549,000 as at September 30, 2019, as shown in the Interim Financial Report, the text of which is set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 116,536,100 Offer Shares at the indicative Offer Price of HK$34.50 (equivalent to RMB30.87) and HK$39.50 (equivalent to RMB35.34) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by our Company and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK$1 to RMB0.89473, which was the exchange rate prevailing on November 6, 2019 with reference to the rate published by the People's Bank of China. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

(3) Our unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at on the basis that (1) 776,907,062 Shares were in issue assuming that the Global Offering had been completed on September 30, 2019 and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option and (2) all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, and that no options are granted or exercised under the A Share Incentive Scheme.

NO MATERIAL ADVERSE CHANGE

We confirm that there has been no material adverse change in our financial or trading position since June 30, 2019 (being the date of the latest audited consolidated statements of financial position of our Group as set out in the Accountant's Report in Appendix I to this prospectus) and up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For a detailed description of our future plans, please refer to the paragraphs headed "Business—Our Strategies" and "Business—Future Expansion" in this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK$37.00 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK$4,065.3 million. We currently intend to apply such net proceeds for the following purposes:

(a) approximately HK$1,219.6 million (or approximately 30% of the net proceeds) to expand capacities and capabilities of our laboratory and manufacturing facilities in the PRC in response to the increasing demand for our laboratory services and CMC services, both from existing and new customers (according to Frost & Sullivan, the China-based CRO and CMO markets are expected to grow to US$21.4 billion and US$8.5 billion in 2023, representing CAGRs of 29.6% and 28.9% from 2018 to 2023, respectively), which includes:

    (1) approximately HK$792.7 million will be invested in building, upgrading and expanding the second phase of our Ningbo facility which is primarily engaged in the laboratory and CMC services. Upon completion of the planned expansion, we expect that the total GFA of our Ningbo facility will increase from approximately 77,950 sq.m. to approximately 198,065 sq.m. With the expanded facilities, additional laboratory and working space for up to 2,500 additional scientists and technicians for our laboratory and CMC services will become available which we consider to be sufficient to support our recruitment and growth plan for the next two to three years after the commencement of operation in or around 2021;

    (2) approximately HK$183.0 million will be invested in building, upgrading and expanding the third phase of our Tianjin facility which is primarily engaged in the CMC business. Upon completion of the planned expansion, we expect that the total GFA of our Tianjin facility will increase from approximately 20,289 sq.m. to approximately 60,952 sq.m. With the expanded facilities, additional laboratory and working space for up to 400 additional scientists and technicians for our CMC services will become available which we consider to be sufficient to support our recruitment and growth plan for the next two to three years after the commencement of operation; and

    (3) approximately HK$243.9 million will be invested in building our other manufacturing facilities which is primarily engaged in the CMC business. We currently expect to finalize the expansion plan and relevant design by 2020, and to complete the constructions in the following two to three years.

(b) approximately HK$406.5 million (or approximately 10% of the net proceeds) to fund further expansion of our businesses in the U.S. and U.K., which potentially includes constructing and furnishing relevant facilities, expanding office space, purchasing laboratory equipment and materials, hiring, training and retaining talents, and acquiring new technologies.

(c) approximately HK$813.1 million (or approximately 20% of the net proceeds) to establish our pharmaceutical R&D services platform for discovery and development of biologics, which potentially includes constructing and furnishing relevant facilities, expanding office space, purchasing equipment and materials, hiring, training and retaining talents, and acquiring new technologies, businesses or services. We expect to build two additional facilities for biologics in Ningbo, China, which are expected to complete constructions and commence operations by 2021 and 2024, respectively. Among the HK$813.1 million proceeds, we expect to use approximately HK$422.4 million, HK$336.1 million and HK$54.6 million for the construction costs, procurement of machinery and equipment, and labor and other costs, respectively.

(d) approximately HK$609.8 million (or approximately 15% of the net proceeds) to expand our capacities and capabilities in clinical development services, which potentially includes additional investment in facilities, hiring, training and retaining talents, and acquiring new technologies, businesses or services.

(e) approximately HK$609.8 million (or approximately 15% of the net proceeds) will be used to expand our capacity and/or capabilities through potential acquisitions of CRO and CMO companies with cutting-edge R&D technologies and/or businesses in the U.S., Europe, Japan or China that provide pharmaceutical R&D services we identify as attractive and that allow us further complement our service offerings (in particular the clinical development and CMC services) and better support our partners and customers' needs in accordance with our future expansion plan and market dynamics analysis. We may also consider strategic alliances as well as additional investments in our existing associate companies to create additional value for our partners. As of the Latest Practicable Date, we have not yet identified any specific target for our potential acquisitions.

(f) approximately HK$406.5 million (or approximately 10% of the net proceeds) will be used for our general corporate and working capital purposes.

If the Offer Price is determined at the highest point of the stated range, the net proceeds to our Company would be increased by approximately HK$279.7 million. If the Offer Price is determined at the lowest point of the stated range, the net proceeds to our Company would be decreased by approximately HK$279.7 million. The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

To the extent that the net proceeds from the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

Hong Kong Underwriters

Goldman Sachs (Asia) L.L.C.
CLSA Limited
Orient Securities (Hong Kong) Limited
China Renaissance Securities (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed upon between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 11,653,700 Hong Kong Offer Shares and the International Offering of initially 104,882,400 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst others, the execution and delivery of the International Underwriting Agreement and the obligations of the International Underwriters thereunder having become unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom or the European Union (collectively, the "Relevant Jurisdictions"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), the PRC, New York (imposed at Federal or New York State level or other competent Authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or

(v) any new law or regulation, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction Laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions adversely affecting an investment in the H Shares; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(ix) a Director, a Supervisor or a member of the Group's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or

(x) the chief executive officer, the executive vice president, the chief operating officer, the chief scientific officer or the chief financial officer of the Company vacating his or her office; or

(xi) an Authority or a political body or organisation in any Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(xiii) a prohibition by an Authority on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xv) unless otherwise expressly consented by the Joint Sponsors, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

(xvi) a materialization of, any of the risks set out in the section "Risk Factors" in this prospectus; or

(xvii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators:

(1) has or will have or is likely to have any material adverse effect, or any development involving a prospective material adverse effect, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise or performance of our Group taken as a whole ("Material Adverse Effect"); or

(2) has or will have or may have a Material Adverse Effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the "Hong Kong Public Offering Documents") was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents; or

(iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreements (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or

(v) any Material Adverse Effect; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or

(vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering); or

(ix) that any person (other than the Joint Sponsors) has withdrawn its consent to being named in this prospectus or to the issue of any of the Hong Kong Public Offering Documents; or

(x) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further H Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealings on the Stock Exchange (whether or not such issue of H Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering, the exercise of the Over-allotment Option or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on and including, the date that is six months after the Listing Date (the "First Six-Month Period"), except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option and such shares or securities to be issued pursuant to the A Share Incentive Scheme or any other employee incentive schemes and otherwise pursuant to the Listing Rules), we will not without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company or any interest in any of the foregoing as applicable), or deposit any H Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company or any interest in any of the foregoing, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of any H Shares or other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities by our Company will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), we will take all steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, it is expected that the International Underwriters would, severally and not jointly, agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. Please refer to the paragraph headed "Structure of the Global Offering—The International Offering" in this prospectus for details.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 17,480,400 H Shares, representing no more than 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters. In addition, we may, at our sole and absolute discretion, pay additional discretionary incentive fee to the Hong Kong Underwriters.

The aggregate commissions and fees (including the maximum discretionary incentive fee of 1.0% of the aggregate Offer Price of all the Offer Shares under the Global Offering), together with Stock Exchange listing fees, SFC transaction levy of 0.0027% per Offer Share and Stock Exchange trading fee of 0.005% per Offer Share, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$246.5 million (assuming (i) an Offer Price of HK$37.00 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), and (ii) the Over-allotment Option is not exercised at all), are payable and borne by our Company.

Joint Sponsors' Fee

A total amount of US$1,000,000 is payable by our Company as sponsor fees to the Joint Sponsors.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the. H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and

selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to us, our affiliates or our Shareholders including cornerstone investors for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 11,653,700 H Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "—The Hong Kong Public Offering" in this section; and

(b) the International Offering of an aggregate of 104,882,400 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) to persons outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and to persons within the United States who are QIBs in reliance on Rule 144A or any other available exemption from, or in transaction not subject to, registration under the U.S. Securities Act.

Furthermore, up to 17,480,400 additional H Shares may be offered pursuant to the exercise of the Over-allotment Option as set out further in the paragraph headed "—Over-allotment Option" in this section.

Goldman Sachs (Asia) L.L.C., CLSA Limited and Orient Securities (Hong Kong) Limited are the Joint Global Coordinators of the Global Offering.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares initially available under the Global Offering represents approximately 15.1% of the enlarged share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued under the A Share Incentive Scheme).

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 11,653,700 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.5% of the enlarged share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued under the A Share Incentive Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "—Conditions of the Global Offering" in this section.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided equally (to the nearest board lot) into two pools: Pool A and Pool B with odd board lot allocated to Pool A. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 5,826,800 Hong Kong Offer Shares are liable to be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In accordance with paragraph 4.2 of Practice Note of the Listing Rules, if the number of H Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offering, the total number of Shares available under the Hong Kong Public Offering will be increased to 34,960,900 Shares, 46,614,500 Shares and 58,268,100 Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of H Shares initially available under the Global Offering. In such cases, the number of H Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinator deem appropriate.

Subject to the foregoing paragraph, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$39.50 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "—Pricing and Allocation" in this section, is less than the maximum price of HK$39.50 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 104,882,400 Offer Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 13.6% of our Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and no shares are issued under the A Share Incentive Scheme.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "—Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the listing of our H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "—The Hong Kong Public Offering—Reallocation and Clawback" in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 17,480,400 H Shares, representing no more than 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing action. Such stabilizing action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (v) selling or agreeing to sell any Offer Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;

- there is no certainty regarding the extent to which or the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market may have an adverse impact on the market price of the H Shares;

- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Friday, December 20, 2019, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares and therefore the price of the H Shares, could fall;

- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by the applicants for, or investors in, acquiring the Offer Shares.

In effecting stabilization actions, the Stabilizing Manager will arrange up to an aggregate of 17,480,400 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery or deferred settlement arrangements with investors who have been offered Offer Shares under the

International Offering. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether sufficient number of H Shares will be made available under delayed settlement or deferred settlement arrangements. There will be no stabilization actions and no exercise of the Over-allotment Option should no investors be willing to enter into such delayed delivery or deferred settlement arrangements.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date, which is expected to be on or around Thursday, November 21, 2019 and in any event no later than Tuesday, November 26, 2019. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$39.50 per Offer Share and is expected to be not less than HK$34.50 per Offer Share unless otherwise announced, as further explained below, no later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause them to be published on the website of our Company (**http://www.pharmaron.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) an announcement/a supplemental prospectus (as appropriate) in connection with the reduction. Upon the issue of such announcement/supplemental prospectus (as appropriate), the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will be fixed within such revised Offer Price range. Applicants should note the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such announcement/supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may

change as a result of any such reduction. In the absence of any such announcement/supplemental prospectus (as appropriate) so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$3,786 million, assuming an Offer Price per Offer Share of HK$34.50, or approximately HK$4,345 million, assuming an Offer Price per Offer Share of HK$39.50 (or if the Over-allotment Option is exercised in full, approximately HK$4,365 million, assuming an Offer Price per Offer Share of HK$34.50 or approximately HK$5,008 million, assuming an Offer Price per Offer Share of HK$39.50).

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Hong Kong Offer Shares under the Hong Kong Public Offering are expected to be announced on Wednesday, November 27, 2019 on the website of our Company (**http://www.pharmaron.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Tuesday, November 26, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of our Company (**http://www.pharmaron.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in the paragraph headed "How to Apply for the Hong Kong Offer Shares—14. Dispatch/Collection of H Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional (including the Underwriting Agreements not having been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option).

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the, second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, November 28, 2019 it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, November 28, 2019. The H Shares will be traded in board lots of 100 H Shares each. The stock code of the H Shares is 3759.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form:
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**: or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States or are a person described in paragraph (h)(3) of Rule 902 of Regulation S, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own, name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, November 14, 2019 until 12:00 noon on Wednesday, November 20, 2019 from:

(i) the following addresses of the following Joint Global Coordinators:

Goldman Sachs (Asia) L.L.C.	59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
Orient Securities (Hong Kong) Limited	Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Central, Hong Kong

(ii) any of the following branches of the receiving banks:

(a) CMB Wing Lung Bank Limited

District	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
	Central District Branch	189 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, November 14, 2019 until 12:00 noon on Wednesday, November 20, 2019 from:

- the Depository Counter of HKSCC at I/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "CMB Wing Lung (Nominees) Limited—Pharmaron Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Thursday, November 14, 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, November 15, 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, November 16, 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, November 18, 2019 — 9:00 a.m. to 5:00 p.m.
- Tuesday, November 19, 2019 — 9:00 a.m. to 5:00 p.m.
- Wednesday, November 20, 2019 — 9:00 a.m. to 12:00 noon.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, November 20, 2019, the last application day or such later time as described in the paragraph headed "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities law in the United States, or any securities regulatory authority of any other jurisdiction; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are (a) outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S and (b) not a U.S. person (as defined in Regulation S);

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your names or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the section headed "How to Apply for the Hong Kong Offer Shares—14. Dispatch/Collection of H Share Certificates and Refund Monies—Personal Collection" in this prospectus to collect the H Share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "—2. Who Can Apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, you application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, November 14, 2019 until 11:30 a.m. on Wednesday, November 20, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, November 20, 2019 or such later time under the paragraph headed "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Pharmaron Beijing Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central.
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree with our Company, for itself and for the benefit of each shareholder of our Company and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of our Company and each director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Company (for our Company itself and for the benefit of each shareholder of our Company) that H shares in our Company are freely transferable by their holders;

- authorize our Company to enter into a contract on its behalf with each director and officer of our Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, November 14, 2019 — 9:00 a.m. to 8:30 p.m.

- Friday, November 15, 2019 — 8:00 a.m. to 8:30 p.m.

- Saturday, November 16, 2019 — 8:00 a.m. to 1:00 p.m.

- Monday, November 18, 2019 — 8:00 a.m. to 8:30 p.m.

- Tuesday, November 19, 2019 — 8:00 a.m. to 8:30 p.m.

- Wednesday, November 20, 2019 — 8:00 a.m. to 12:00 noon.

[1] The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Cleaning/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, November 14, 2019 until 12:00 noon on Wednesday, November 20, 2019 (24 hours daily, except on Wednesday, November 20, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, November 20, 2019, the last application day or such later time as described in the paragraph headed "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems, In the event that CCASS Investor Participants have problems in the connection to

CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, November 20, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed "Structure of the Global Offering—Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, November 20, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, November 20, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, November 27, 2019 on our Company's website at **http://www.pharmaron.com** and the website of the Stock Exchange at **www.hkexnews.hk.**

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **http://www.pharmaron.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, November 27, 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, November 27, 2019 to 12:00 midnight on Tuesday, December 3, 2019;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, November 27, 2019 to Saturday, November 30, 2019; and

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, November 27, 2019 to Friday, November 29, 2019 at all the receiving banks' designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$39.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, November 27, 2019.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund checks and H Share certificates are expected to be posted on or before Wednesday, November 27, 2019. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, November 28, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 27, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund check(s) and/or H Share certificate(s) personally within the time specified for collection, it/they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, November 27, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Wednesday, November 27, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, November 27, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "—11. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 27, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 27, 2019, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your H Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, November 27, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) on or before Wednesday, November 27, 2019 by ordinary post at your own risk,

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on, Wednesday, November 27, 2019 or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "—11. Publication of Results" in this section on Wednesday, November 27, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 27, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, November 27, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, November 27, 2019.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the Settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

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

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

The Directors
Pharmaron Beijing Co., Ltd.

Goldman Sachs (Asia) L.L.C.
CLSA Capital Markets Limited
Orient Capital (Hong Kong) Limited

Dear Sirs,

We report on the Historical Financial Information of Pharmaron Beijing Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-93, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2016, 2017, 2018 and June 30, 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-93 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 14, 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2016, 2017, 2018 and June 30, 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

November 14, 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
REVENUE	5	1,634,239	2,294,118	2,908,123	1,270,573	1,636,513
Cost of sales		(1,136,333)	(1,519,653)	(1,960,073)	(872,287)	(1,114,088)
Gross profit		497,906	774,465	948,050	398,286	522,425
Other income and gains	6	39,034	16,164	53,759	10,219	21,263
Other expenses	6	(4,465)	(35,951)	(6,767)	(1,802)	(12,606)
Selling and distribution expenses		(32,038)	(47,163)	(54,647)	(23,417)	(28,766)
Administrative expenses		(252,328)	(345,773)	(420,456)	(187,501)	(241,463)
Research and development costs		(16,444)	(22,608)	(31,611)	(14,554)	(26,687)
Impairment losses on financial and contract assets, net of reversal	8	(1,734)	(2,151)	(8,886)	(980)	724
Finance costs	7	(21,377)	(68,536)	(82,366)	(38,755)	(42,399)
Share of losses of associates	19	–	–	(1,132)	–	(5,798)
Profit before tax	8	208,554	268,447	395,944	141,496	186,693
Income tax expense	11	(37,220)	(49,783)	(60,101)	(21,104)	(30,012)
Profit for the year/period		171,334	218,664	335,843	120,392	156,681
Attributable to:						
Owners of the parent		171,334	222,497	336,042	120,770	161,323
Non-controlling interests		–	(3,833)	(199)	(378)	(4,642)
		171,334	218,664	335,843	120,392	156,681
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic						
For profit for the year/period	13	0.34	0.38	0.57	0.20	0.25
Diluted						
For profit for the year/period	13	0.34	0.38	0.57	0.20	0.25

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period	171,334	218,664	335,843	120,392	156,681
OTHER COMPREHENSIVE INCOME					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(5,001)	2,516	(7,376)	(5,093)	(1,707)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(5,001)	2,516	(7,376)	(5,093)	(1,707)
Other comprehensive (loss)/income for the year/period, net of tax	(5,001)	2,516	(7,376)	(5,093)	(1,707)
Total comprehensive income for the year/period	166,333	221,180	328,467	115,299	154,974
Attributable to:					
Owners of the parent	166,333	225,861	328,094	115,567	159,656
Non-controlling interests	–	(4,681)	373	(268)	(4,682)
	166,333	221,180	328,467	115,299	154,974

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	935,254	2,357,280	2,677,138	2,772,925
Right-of-use assets	15	138,869	468,734	498,921	478,073
Investment properties	16	–	45,761	44,428	44,207
Goodwill	17	–	133,524	139,917	201,313
Other intangible assets	18	2,847	8,207	13,900	34,197
Investments in associates	19	–	–	28,868	131,627
Equity investments at fair value through profit or loss	20	3,469	3,267	24,267	34,126
Deferred tax assets	21	6,054	9,684	8,446	7,074
Other non-current assets	22	733,534	46,364	90,087	39,077
Total non-current assets		1,820,027	3,072,821	3,525,972	3,742,619
CURRENT ASSETS					
Inventories	23	42,847	59,015	70,148	81,186
Contract costs	24	49,730	34,251	50,313	61,920
Trade receivables	25	352,048	494,897	603,993	654,058
Contract assets	26	36,575	43,834	51,078	114,147
Prepayments, other receivables and other assets	27	141,334	133,347	179,451	228,853
Financial assets at fair value through profit or loss	28	–	–	–	125,000
Derivative financial instruments	29	–	–	413	–
Pledged deposits	30	8,266	11,898	13,476	8,218
Cash and cash equivalents	30	461,944	293,601	307,235	331,324
Total current assets		1,092,744	1,070,843	1,276,107	1,604,706
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	31	305,715	467,212	534,968	590,150
Trade payables	32	61,322	91,640	108,220	122,056
Other payables and accruals	33	197,179	247,667	403,955	451,890
Contract liabilities	34	83,463	106,939	187,156	194,784
Lease liabilities	35	22,396	44,926	60,336	57,892
Derivative financial instruments	29	–	–	–	3,130
Tax payable		8,023	22,270	13,413	16,860
Total current liabilities		678,098	980,654	1,308,048	1,436,762
NET CURRENT ASSETS/LIABILITIES		414,646	90,189	(31,941)	167,944
TOTAL ASSETS LESS CURRENT LIABILITIES		2,234,673	3,163,010	3,494,031	3,910,563
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	31	362,761	889,450	898,999	740,364
Deferred tax liabilities	21	–	11,121	22,306	33,101
Deferred income	36	14,022	63,896	100,989	96,447
Lease liabilities	35	98,265	200,439	145,166	124,395
Total non-current liabilities		475,048	1,164,906	1,167,460	994,307
NET ASSETS		1,759,625	1,998,104	2,326,571	2,916,256
EQUITY					
Share capital	37	590,664	590,664	590,664	656,294
Reserves	39	1,168,961	1,394,822	1,722,916	2,177,604
Equity attributable to owners of the parent		1,759,625	1,985,486	2,313,580	2,833,898
Non-controlling interests		–	12,618	12,991	82,358
Total equity		1,759,625	1,998,104	2,326,571	2,916,256

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital	Share premium*	Share award reserve*	Capital reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 37)	(note 39)	(note 38)	(note 39)	(note 39)	(note 39)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2016	130,975	272	39,205	67,611	21,818	162	(89,876)	170,167	–	170,167
Profit for the year	–	–	–	–	–	–	171,334	171,334	–	171,334
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(5,001)	–	(5,001)	–	(5,001)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(5,001)	171,334	166,333	–	166,333
Transferred from retained profits	–	–	–	–	10,587	–	(10,587)	–	–	–
Share-based compensation	–	–	22,007	–	–	–	–	22,007	–	22,007
Statutory reserve, retained earnings and other reserve transferred to share capital and share premium[(i)]	288,113	(182,329)	(39,205)	(8,009)	(21,818)	–	(36,752)	–	–	–
Capital injection from shareholders	171,576	1,229,542	–	–	–	–	–	1,401,118	–	1,401,118
As at December 31, 2016	590,664	1,047,485	22,007	59,602	10,587	(4,839)	34,119	1,759,625	–	1,759,625

(i) Pursuant to the resolution of Shareholders, the Company was converted into a joint stock limited liability company under the laws of the People's Republic of China (the "PRC") on October 27, 2016. The audited net assets of the Company were RMB938,501,000, among which RMB500,000,000 had been converted to 500,000,000 shares of RMB1.0 per value each. The remaining amount of RMB438,501,000 was converted to share premium ("Joint-stock Reform").

	Attributable to owners of the parent									
	Share capital	Share premium*	Share award reserve*	Capital reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 37)	(note 39)	(note 38)	(note 39)	(note 39)	(note 39)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2017	590,664	1,047,485	22,007	59,602	10,587	(4,839)	34,119	1,759,625	–	1,759,625
Profit for the year	–	–	–	–	–	–	222,497	222,497	(3,833)	218,664
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	3,364	–	3,364	(848)	2,516
Total comprehensive income/(loss) for the year	–	–	–	–	–	3,364	222,497	225,861	(4,681)	221,180
Transferred from retained profits	–	–	–	–	27,447	–	(27,447)	–	–	–
Acquisition of subsidiaries *(note 40)*	–	–	–	–	–	–	–	–	17,299	17,299
As at December 31, 2017	590,664	1,047,485	22,007	59,602	38,034	(1,475)	229,169	1,985,486	12,618	1,998,104

	Attributable to owners of the parent									
	Share capital	Share premium*	Share award reserve*	Capital reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 37)	(note 39)	(note 38)	(note 39)	(note 39)	(note 39)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2018	590,664	1,047,485	22,007	59,602	38,034	(1,475)	229,169	1,985,486	12,618	1,998,104
Profit for the year	–	–	–	–	–	–	336,042	336,042	(199)	335,843
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(7,948)	–	(7,948)	572	(7,376)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(7,948)	336,042	328,094	373	328,467
Transferred from retained profits	–	–	–	–	32,117	–	(32,117)	–	–	–
As at December 31, 2018	590,664	1,047,485	22,007	59,602	70,151	(9,423)	533,094	2,313,580	12,991	2,326,571

* These reserve accounts comprise the consolidated reserves of RMB1,168,961,000, RMB1,394,822,000 and RMB1,722,916,000 in the consolidated statements of financial position as at December 31, 2016, 2017 and 2018, respectively.

	Attributable to owners of the parent									
	Share capital	Share premium*	Share award reserve*	Capital reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 37)	(note 39)	(note 38)	(note 39)	(note 39)	(note 39)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2018	590,664	1,047,485	22,007	59,602	38,034	(1,475)	229,169	1,985,486	12,618	1,998,104
Profit for the period (unaudited)	–	–	–	–	–	–	120,770	120,770	(378)	120,392
Other comprehensive income for the period: (unaudited)										
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	(5,203)	–	(5,203)	110	(5,093)
Total comprehensive income/(loss) for the period (unaudited)	–	–	–	–	–	(5,203)	120,770	115,567	(268)	115,299
As at June 30, 2018 (unaudited)	590,664	1,047,485	22,007	59,602	38,034	(6,678)	349,939	2,101,053	12,350	2,113,403

* These reserve accounts comprise the consolidated reserves of RMB1,510,389,000 in the consolidated statement of financial position as at June 30, 2018.

	Attributable to owners of the parent									
	Share capital	Share premium*	Share award reserve*	Capital reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 37)	(note 39)	(note 38)	(note 39)	(note 39)	(note 39)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	590,664	1,047,485	22,007	59,602	70,151	(9,423)	533,094	2,313,580	12,991	2,326,571
Profit for the period	–	–	–	–	–	–	161,323	161,323	(4,642)	156,681
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(1,667)	–	(1,667)	(40)	(1,707)
Total comprehensive income/(loss) for the period	–	–	–	–	–	(1,667)	161,323	159,656	(4,682)	154,974
Issuance of A shares upon listing on the Shenzhen Stock Exchange	65,630	367,224	–	–	–	–	–	432,854	–	432,854
Acquisition of a subsidiary (note 40)	–	–	–	–	–	–	–	–	74,049	74,049
Dividends declared	–	–	–	–	–	–	(72,192)	(72,192)	–	(72,192)
As at June 30, 2019	656,294	1,414,709	22,007	59,602	70,151	(11,090)	622,225	2,833,898	82,358	2,916,256

* These reserve accounts comprise the consolidated reserves of RMB2,177,604,000 in the consolidated statement of financial position as at June 30, 2019.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash flows from operating activities						
Profit before tax		208,554	268,447	395,944	141,496	186,693
Adjustments for:						
— Depreciation of property, plant and equipment	8	124,464	186,171	255,192	120,768	148,216
— Depreciation of right-of-use assets	8	24,928	44,246	58,027	29,142	29,717
— Depreciation of investment properties	8	–	738	812	401	403
— Amortisation of other intangible assets	8	708	2,248	1,889	1,021	1,378
— Impairment losses on inventories, net of reversal	8	747	1,186	1,100	(653)	826
— Impairment losses on financial and contract assets, net of reversal	8	1,734	2,151	8,886	980	(724)
— Losses of derivative financial instruments	6	—	—	2,134	—	10,479
— Gains on financial assets at fair value through profit or loss	6	–	–	–	–	(450)
— Fair value gains on equity investments at fair value through profit or loss	6	–	–	(246)	(246)	(1,054)
— Losses on disposal of items of property, plant and equipment	6	757	1,019	539	325	206
— Losses on disposal of right-of-use assets	6	–	–	1,511	–	–
— Gains on bargain purchase of a subsidiary	6	(127)	–	–	–	–
— Finance costs	7	21,377	68,536	82,366	38,755	42,399
— Share of losses of associates	19	–	–	1,132	–	5,798
— Gains on fair value re-measurement of existing equity in business combination not under common control	6	–	–	–	–	(10,363)
— Share-based compensation expenses	8	22,007	–	–	–	–
		405,149	574,742	809,286	331,989	413,524
Increase in inventories		(798)	(16,206)	(12,228)	(9,080)	(11,859)
(Increase)/decrease in contract costs		(25,459)	15,479	(16,062)	(18,793)	(11,607)
Increase in trade receivables		(96,443)	(130,502)	(118,080)	(69,007)	(48,696)
(Increase)/decrease in prepayments, other receivables and other assets		(73,124)	65,091	(49,389)	(39,635)	(36,824)
Increase in contract assets		(18,541)	(3,392)	(7,323)	(17,961)	(56,035)
(Increase)/decrease in pledged deposits		3,797	(3,632)	(1,578)	1,136	5,258
(Increase)/decrease in other non-current assets		44,296	(12,756)	1,369	587	10,704
Increase in trade payables		8,644	17,550	16,580	10,943	12,147
Increase/(decrease) in accruals and other payables		27,186	111,129	107,382	(19,771)	2,179
Increase/(decrease) in deferred income		(2,746)	(237)	37,104	44	(4,546)
Increase/(decrease) in contract liabilities		25,011	14,872	80,217	15,667	(3,234)
Cash flows generated from operations		296,972	632,138	847,278	186,119	271,011
Income tax paid		(36,512)	(38,000)	(56,534)	(28,082)	(18,696)
Net cash flows generated from operating activities		260,460	594,138	790,744	158,037	252,315

	Notes	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash flows from investing activities						
Purchases of property, plant and equipment		(962,058)	(874,100)	(523,609)	(288,657)	(303,386)
Proceeds from disposal of property, plant and equipment		409	359	2,628	175	166
Proceeds from disposal of financial assets at fair value through profit or loss		–	–	–	–	2,450
Additions of other intangible assets		(1,387)	(5,485)	(7,525)	(985)	(4,204)
Purchase of right-of-use assets - land use right		(92,045)	(55,081)	(109,850)	–	–
Proceeds from disposal of right-of-use assets		–	–	19,754	–	–
Purchase of equity investments at fair value through profit or loss		(3,270)	–	(19,450)	(19,450)	(8,554)
Settlement of derivative financial instruments		–	–	(2,547)	–	(6,936)
Purchase of financial assets at fair value through profit or loss		–	–	–	–	(15,000)
Acquisition of subsidiaries	40	(80,731)	(345,604)	–	–	(59,497)
Capital injection in associates		–	–	(74,000)	(15,000)	(107,106)
Net cash flows used in investing activities		(1,139,082)	(1,279,911)	(714,599)	(323,917)	(502,067)
Cash flows from financing activities						
Interest on bank loans and other borrowings paid		(14,414)	(60,599)	(74,595)	(36,772)	(33,994)
Proceeds from bank loans and other borrowings		606,341	931,444	540,870	331,295	388,701
Repayments of bank loans and other borrowings		(189,145)	(291,283)	(479,514)	(177,696)	(482,281)
Payments of lease liabilities		(27,885)	(49,248)	(55,807)	(29,468)	(39,374)
Proceeds from issuance of shares		–	–	–	–	458,486
Payments of issue expenses		–	–	–	–	(13,344)
Capital injection from shareholders		881,378	–	–	–	–
Net cash flows generated from/(used in) financing activities		1,256,275	530,314	(69,046)	87,359	278,194
Net increase/(decrease) in cash and cash equivalents		377,653	(155,459)	7,099	(78,521)	28,442
Cash and cash equivalents at beginning of year/period	30	74,987	461,944	293,601	293,601	307,235
Effect of foreign exchange rate changes, net		9,304	(12,884)	6,535	(269)	(4,353)
Cash and cash equivalents at end of year/period	30	461,944	293,601	307,235	214,811	331,324

STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	469,537	1,336,834	1,298,003	1,284,640
Right-of-use assets	15	29,827	147,576	138,413	133,831
Other intangible assets	18	2,847	5,868	6,516	6,315
Investments in associates	19	–	–	28,868	129,717
Investments in subsidiaries		755,150	855,150	875,150	1,018,537
Deferred tax assets	21	1,071	1,256	–	–
Other non-current assets	22	719,642	34,742	73,581	18,785
Total non-current assets		1,978,074	2,381,426	2,420,531	2,591,825
CURRENT ASSETS					
Inventories	23	13,507	18,095	19,289	22,931
Contract costs	24	4,900	2,060	5,143	6,677
Trade receivables	25	187,840	582,912	868,190	973,858
Prepayments, other receivables and other assets	27	150,978	105,968	144,787	383,782
Derivative financial instruments	29	–	–	413	–
Financial assets at fair value through profit or loss	28	–	–	–	15,000
Pledged deposits	30	3,446	5,890	163	163
Cash and cash equivalents	30	265,627	33,584	47,129	98,477
Total current assets		626,298	748,509	1,085,114	1,500,888
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	31	206,345	241,134	354,209	408,607
Trade payables	32	28,361	40,914	59,261	64,190
Other payables and accruals	33	188,206	265,443	238,905	291,419
Contract liabilities	34	14,353	27,112	55,363	61,900
Lease liabilities	35	3,669	6,170	6,628	7,183
Derivative financial instruments	29	–	–	–	3,130
Tax payable		6,878	20,258	11,895	14,050
Total current liabilities		447,812	601,031	726,261	850,479
NET CURRENT ASSETS		178,486	147,478	358,853	650,409
TOTAL ASSETS LESS CURRENT LIABILITIES		2,156,560	2,528,904	2,779,384	3,242,234
NON-CURRENT LIABILITIES					
Deferred tax liabilities	21	–	–	11,881	17,343
Interest-bearing bank and other borrowings	31	362,761	467,483	380,365	344,814
Deferred income	36	673	–	11,174	10,079
Lease liabilities	35	27,097	20,927	14,299	10,536
Total non-current liabilities		390,531	488,410	417,719	382,772
NET ASSETS		1,766,029	2,040,494	2,361,665	2,859,462
EQUITY					
Share capital	37	590,664	590,664	590,664	656,294
Reserves	39	1,175,365	1,449,830	1,771,001	2,203,168
Total equity		1,766,029	2,040,494	2,361,665	2,859,462

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Pharmaron Beijing Co., Ltd. was incorporated and registered in the People's Republic of China ("PRC") on July 1, 2004. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 300759. SZ) on January 28, 2019. The address of the registered office is 8th Floor, 1 Flat, No. 6 Taihe Road, Beijing Economic and Technological Development Zone.

The principal activity of the Company and its subsidiaries (together, the "Group") is to provide a portfolio of research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs, cell therapies and gene therapies as well as providing testing services for medical devices and clinic research.

Information about subsidiaries

As at June 30, 2019, the Company had direct and indirect interests in its subsidiaries, particulars of which are set out below:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Pharmaron (Beijing) TSP Services Co., Ltd.[(i)] ("康龍化成(北京)生物技術有限公司")	PRC/Mainland China January 11, 2006	RMB138,514,186	100%	N/A	Laboratory services
Phamaron (Tianjin) Process Development and Manufacturing Co., Ltd.[(i)] ("康龍化成(天津)藥物製備技術有限公司")	PRC/Mainland China July 16, 2008	RMB327,625,146	100%	N/A	Chemistry, manufactory and control services ("CMC")
Pharmaron Xi'an Co., Ltd.[(i)] ("康龍化成(西安)新藥技術有限公司")	PRC/Mainland China May 11, 2010	USD10,000,000	100%	N/A	Laboratory services
Pharmaron Ningbo Co., Ltd.[(i)] ("康龍化成(寧波)新藥技術有限公司")	PRC/Mainland China January 9, 2015	RMB100,000,000	100%	N/A	Laboratory services and CMC services
Pharmaron CRI (Ningbo) Co., Ltd.[(i)] ("康龍化成手性醫藥技術(寧波)有限公司") . .	PRC/Mainland China August 18, 2016	RMB1,000,000	N/A	100%	Laboratory services
Pharmaron Shaoxing Co., Ltd.[(ii)] ("康龍化成(紹興)藥業有限公司")	PRC/Mainland China January 3, 2017	RMB100,000,000	100%	N/A	Under construction
Pharmaron (Ningbo) Technology Development Co., Ltd. (formerly known as Ningbo KTB Technology Development Co., Ltd.)[(ii)] ("康龍化成(寧波)科技發展有限公司，前稱寧波康泰博科技發展有限公司")	PRC/Mainland China January 12, 2015	RMB325,000,000	N/A	100%	Laboratory services and CMC services
Pharmaron Shanghai Co., Ltd.[(iii)] ("康龍化成(上海)新藥技術有限公司") . . .	PRC/Mainland China February 11, 2018	RMB20,000,000	100%	N/A	Laboratory services
Pharmaron (Ningbo) Biologics Co., Ltd.[(iii)] ("寧波康龍生物技術有限公司")	PRC/Mainland China August 31, 2018	RMB50,000,000	N/A	100%	Under construction

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nanjing Sirui Biotechnology Co., Ltd. ("南京思睿生物科技有限公司") ("Nanjing Sirui")	PRC/Mainland China February 7, 2018	USD13,500,000	55.56%	N/A	Investment holding
Nanjing Ximaidi Medical Technology Co., Ltd. ("南京希麥迪醫藥科技有限公司")	PRC/Mainland China January 20, 2017	RMB80,000,000	N/A	55.56%	Clinical development services
Beijing Xirui Biotechnology Co., Ltd. ("北京希睿醫藥科技有限公司")	PRC/Mainland China September 30, 2018	RMB5,000,000	N/A	55.56%	Clinical development services
CR Medicon Research, Inc.	USA February 9, 2019	10,000 shares	N/A	55.56%	Clinical development services
Pharmaron US, Inc.[iv]	USA August 12, 2015	100 shares	100%	N/A	Investment holding
Pharmaron, Inc.[iv]	USA December 22, 2006	100 shares	N/A	100%	Business development
Pharmaron (Hong Kong) International Limited[iv]	PRC/Hong Kong December 31, 2015	10,000 shares	100%	N/A	Investment holding
Pharmaron (Hong Kong) Investments Limited[iv]	PRC/Hong Kong February 11, 2016	10,000 shares	N/A	100%	Investment holding
Pharmaron Biologics (Hong Kong) Limited[v]	PRC/Hong Kong June 11, 2018	50,000 shares	N/A	100%	Investment holding
Pharmaron UK Limited[vi]	United Kingdom October 30, 2013	54,136,364 shares	N/A	100%	Laboratory, CMC and Clinical development services
Quotient Bioresearch (Radiochemicals) Limited[vii]	United Kingdom April 9, 2009	1 share	N/A	100%	Clinical development services
Quotient Bioresearch (Rushden) Limited[vii]	United Kingdom August 7, 2000	10 shares	N/A	100%	Clinical development services
Pharmaron ABS, Inc. (formerly known as Xceleron Inc.)[viii]	USA October 31, 2001	1,500 shares	N/A	100%	Clinical development services
Pharmaron CPC, Inc. (formerly known as SNBL Clinical Pharmacology Center, Inc.)[viii]	USA October 7, 2004	100,000 shares	N/A	80%	Clinical development services

The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Relevant Periods or formed a substantial portion of the net assets of the Group.

Notes:

(i) The statutory financial statements of the Company, Pharmaron (Beijing) TSP Services Co., Ltd., Phamaron (Tianjin) Process Development and Manufacturing Co., Ltd., Pharmaron Xi'an Co., Ltd., Pharmaron Ningbo Co., Ltd., and Pharmaron CRI (Ningbo) Co., Ltd. for the years ended December 31, 2016, 2017 and 2018 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by ShineWing Certified Public Accountants Co., Ltd.

(ii) The statutory audited financial statements of Pharmaron Shaoxing Co., Ltd. and Pharmaron (Ningbo) Technology Development Co., Ltd. for the years ended December 31, 2017 and 2018 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by ShineWing Certified Public Accountants Co., Ltd.

(iii) The statutory audited financial statements of Pharmaron Shanghai Co., Ltd. and Pharmaron (Ningbo) Biologics Co., Ltd. for the year ended December 31, 2018 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by ShineWing Certified Public Accountants Co., Ltd.

(iv) No statutory audited financial statements of Pharmaron US, Inc., Pharmaron, Inc., Pharmaron (Hong Kong) International Limited, and Pharmaron (Hong Kong) Investments Limited have been prepared for the years ended December 31, 2016, 2017 and 2018, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(v) No statutory audited financial statements of Pharmaron Biologics (Hong Kong) Limited have been prepared for the year ended December 31, 2018.

(vi) The statutory financial statements of Pharmaron UK Limited for the year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union were audited by Broomfield & Alexander Limited. The statutory financial statements of Pharmaron UK Limited for the years ended December 31, 2017 and 2018 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union were audited by ShineWing Wilson Accountancy Limited.

(vii) The statutory audited financial statements of Quotient Bioresearch (Radiochemicals) Limited and Quotient Bioresearch (Rushden) Limited for the year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards (IFRSs) were audited by Broomfield & Alexander Limited. No statutory audited financial statements of Quotient Bioresearch (Radiochemicals) Limited and Quotient Bioresearch (Rushden) Limited have been prepared for the years ended December 31, 2017 and 2018.

(viii) No statutory audited financial statements of Pharmaron ABS, Inc. and Pharmaron CPC, Inc. have been prepared for the years ended December 31, 2017 and 2018, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2.1 BASIS OF PREPARATION

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

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as at December 31, 2016, 2017, 2018 and June 30, 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

a. the contractual arrangement with the other vote holders of the investee;

b. rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not adopted the following standards that have been issued but not yet effective in the Historical Financial Information:

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
IFRS 17	*Insurance Constracts*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]

1 Effective for annual periods beginning on or after January 1, 2020

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

3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, equity investments at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2—based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3—based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Category	Estimated useful life	Estimated residual value
Building	20-39 years	0-5%
Laboratory equipment	3-10 years	0-3%
Transportation equipment	5-10 years	0-5%
Furniture, fixtures and equipment	3-8 years	0-5%
Leasehold improvement	3-30 years	0%
Land	Indefinite useful life	0%

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

The building component of investment properties is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any).

The principal estimated useful lives of investment properties are as follows:

Category	Estimated useful life	Estimated residual value
Building	25 years	0%
Land	Indefinite useful life	0%

Other intangible assets (other than goodwill)

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

The principal estimated useful lives of other intangible assets are as follows:

Category	Estimated useful life	Estimated residual value
Software[(i)]	3-10 years	0%
Patents[(ii)]	10-20 years	0%
Client Relationship[(iii)]	10 years	0%

(i) Software have an amortization period of three to ten years based on the estimated useful lives.

(ii) Patents have an amortization period of ten to tweny years based on the period covered by their licenses.

(iii) Client relationship has an amortization period of ten years based on estimated beneficial period considering industry experience, customer retention rate and others.

Research and development costs

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

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

Leases

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation.

Since January 1, 2016, the Group as a lessee has recognised at present value assets for the right of use received and liabilities for the payment obligations entered into for all leases in the statement of financial position. Lease liabilities include the following lease payments:

— fixed payments (including in-substance fixed payments), less lease incentives offered by the lessor;

— variable payments linked to an index or interest rate;

— expected residual payments from residual value guarantees;

— the exercise price of call options when exercise is estimated to be reasonably certain; and

— contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be readily determined. Otherwise, discounting is at the incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The discount rates used by the Group range from 3.10% to 5.30%, which were derived-for a period of up to 50 years (the lease term)-from the yield of corporate borrowings by taking adjustment to consider the different borrowing rates, risk and tenors in various countries.

Right-of-use assets are measured at cost, which comprises the following:

— lease liability;

— lease payments made at or prior to delivery, less lease incentives received;

— initial direct costs; and

— restoration obligations.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the term of the lease using the straight-line method.

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases") or lease contracts for which the underlying asset is of low value. In such cases, the lease payments made associated with them are recognised as an expense, and no right-of-use assets and lease liabilities are to be recognised.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Group the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. The Group reassesses the lease terms if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group also applied the following available practical expedients at the initial application date wherein it:

— used a single discount rate to a portfolio of leases with reasonably similar characteristics; and

— used hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and

— elected not to apply the requirements to leases for which the lease term ends within 12 months of the date of initial application and account for those leases in the same way as short-term leases.

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

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

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

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

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank and other borrowings, lease liabilities and derivative financial instruments.

Subsequent measurement

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

The Group has different contractual arrangements with different customers under two different charge models: full-time-equivalents ("FTE") or fee-for-services ("FFS") model.

Certain laboratory and chemistry, manufactory and control ("CMC") services are under the FTE model. For services under FTE model, dedicated team of employees is provided to customer's project for a specific time and charges the customer at fixed rate per employee. The customer simultaneously receives and consumes benefits provided by Group's performance. Therefore, the revenue is recognised over time at the amount to which the Group has the right to invoice for the performance completed to date (i.e. FTE billable amounts, which are calculated based on numbers of the employees assigned to the project and the time employees worked), usually in the form of a monthly statement. Under FTE model, the Group measures its progress by using units produced/services transferred to the customer to date (output method).

Certain laboratory, CMC and clinical development services are under the FFS model, and the revenue is recognised at a point in time when the Group transfer the control for services/deliverable units at point in time and has right to payment from the customers for the services performed upon finalization, or upon the delivery and acceptance of the deliverable units.

Certain of revenue from laboratory and clinical development services are under the FFS model, and the revenue is recognised over time, as the Group's performance has created an asset with no alternative use and the Group has an enforceable right for payments for performance completed to date. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method).

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Revenue from other sources

Rental income arising from leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue.

Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued for each period, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Employee benefits

Retirement benefits

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

Employee benefits to all eligible employees of the overseas subsidiaries are made in accordance with the rules set forth in the collective labour agreement, and recorded as an expense in the period they are due as a charge to profit or loss.

Share-based payments

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the Shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

Judgement

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

Determining the timing of satisfaction of performance obligations

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

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

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

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

Determining significant influence over entities in which the Group holds less than 20% equity interest

The Group's certain investments in associates are accounted for under the equity method of accounting if the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20%.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets relating to recognised tax losses at December 31, 2016, 2017, 2018, and June 30, 2019 were RMB1,724,000, RMB3,368,000, RMB4,520,000 and RMB4,421,000. The amounts of unrecognised tax losses at December 31, 2016, 2017, 2018 and 30 June 2019 were RMB23,424,000, RMB323,189,000, RMB353,816,000 and RMB373,965,000. Further details are contained in note 21 to the Historical Financial Statements.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at December 31, 2016, 2017, 2018, and June 30, 2019 were nil, RMB133,524,000, RMB139,917,000 and RMB201,313,000. Further details are given in note 17.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is computed based on their most recent post-money valuations. Details of share-based payments are contained in notes 38 and 39.

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

Provision for expected credit losses on trade receivables and contract assets

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 25 and 26.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. Other intangible assets with indefinite life are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

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

— The laboratory services segment includes laboratory chemistry, Drug Metabolism and Pharmacokinetics/Absorption, Distribution, Metabolism and Excretion, biology, safety assessment and discovery biologics services

— The clinical development services segment includes clinical research, site management organisation, regulatory bioanalysis and radiolabelled sciences services

— The chemistry, manufactory and control services segment includes process development and manufacturing, material science/pre-formulation, formulation development and manufacturing and analytical development and commercial manufacturing services

— The "others" segment

Segment revenue and results

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

	Year ended December 31, 2016				
	Laboratory services	Clinical development services	Chemistry, manufactory and control services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,158,212	148,240	327,747	40	1,634,239
Segment results	395,147	20,610	82,109	40	497,906
Unallocated amounts:					
Other income and gains					39,034
Other expenses					(4,465)
Selling and distribution expenses					(32,038)
Administrative expenses					(252,328)
Research and development costs					(16,444)
Impairment losses on financial and contract assets, net of reversal					(1,734)
Finance costs					(21,377)
Group's profit before tax					208,554

	Year ended December 31, 2017				
	Laboratory services	Clinical development services	Chemistry, manufactory and control services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,489,876	225,174	562,891	16,177	2,294,118
Segment results	597,434	35,019	132,484	9,528	774,465
Unallocated amount:					
Other income and gains					16,164
Other expenses					(35,951)
Selling and distribution expenses					(47,163)
Administrative expenses					(345,773)
Research and development costs					(22,608)
Impairment losses on financial and contract assets, net of reversal					(2,151)
Finance costs					(68,536)
Group's profit before tax					268,447

	Year ended December 31, 2018				
	Laboratory services	Clinical development services	Chemistry, manufactory and control services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,895,755	347,504	645,824	19,040	2,908,123
Segment results	709,554	88,609	139,833	10,054	948,050
Unallocated amounts:					
Other income and gains					53,759
Other expenses					(6,767)
Selling and distribution expenses					(54,647)
Administrative expenses					(420,456)
Research and development costs					(31,611)
Impairment losses on financial and contract assets, net of reversal					(8,886)
Finance costs					(82,366)
Share of losses of associates					(1,132)
Group's profit before tax					395,944

	Six months ended June 30, 2018				
	Laboratory services	Clinical development services	Chemistry, manufactory and control services	Others	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Segment revenue	852,534	153,608	254,709	9,722	1,270,573
Segment results	313,180	40,172	39,442	5,492	398,286
Unallocated amounts:					
Other income and gains					10,219
Other expenses					(1,802)
Selling and distribution expenses					(23,417)
Administrative expenses					(187,501)
Research and development costs					(14,554)
Impairment losses on financial and contract assets, net of reversal					(980)
Finance costs					(38,755)
Group's profit before tax					141,496

	Six months ended June 30, 2019				
	Laboratory services	Clinical development services	Chemistry, manufactory and control services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,059,856	190,215	376,885	9,557	1,636,513
Segment results	395,361	43,867	77,486	5,711	522,425
Unallocated amounts:					
Other income and gains					21,263
Other expenses					(12,606)
Selling and distribution expenses					(28,766)
Administrative expenses					(241,463)
Research and development costs					(26,687)
Impairment losses on financial and contract assets, net of reversal					724
Finance costs					(42,399)
Share of losses of associates					(5,798)
Group's profit before tax					186,693

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

(a) Revenue from external customers

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
North America	959,490	1,458,688	1,809,676	789,152	966,709
Europe	438,951	517,569	631,714	299,087	392,795
Asia (except Mainland China)	112,123	106,205	141,526	60,187	74,004
Mainland China	121,968	197,654	297,831	112,176	191,482
Others	1,707	14,002	27,376	9,971	11,523
	1,634,239	2,294,118	2,908,123	1,270,573	1,636,513

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

(b) Non-current assets

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,700,533	2,538,541	2,915,461	3,098,488
North America	–	218,850	276,974	285,636
Europe	109,971	302,479	300,824	317,295
	1,810,504	3,059,870	3,493,259	3,701,419

The non-current asset information above is based on the locations of the assets and excludes equity investments at fair value through profit or loss and deferred tax assets.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the Relevant Periods, no major customer information is presented in accordance with IFRS 8 *Operating Segments*.

5. REVENUE

An analysis of revenue is as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue from contracts with customers					
Laboratory services	1,158,212	1,489,876	1,895,755	852,534	1,059,856
Chemistry, manufactory and control services	327,747	562,891	645,824	254,709	376,885
Clinical development services	148,240	225,174	347,504	153,608	190,215
Revenue from other sources					
Others	40	16,177	19,040	9,722	9,557
	1,634,239	2,294,118	2,908,123	1,270,573	1,636,513

Timing of revenue recognition

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Over time					
— Laboratory services	744,697	971,685	1,269,045	573,701	659,330
— Chemistry, manufactory and control services	26,536	40,572	102,883	35,074	58,802
— Clinical development services	–	32,809	110,597	40,833	50,942
— Others	40	16,177	19,040	9,722	9,557
	771,273	1,061,243	1,501,565	659,330	778,631
At a point in time					
— Laboratory services	413,515	518,191	626,710	278,833	400,526
— Chemistry, manufactory and control services	301,211	522,319	542,941	219,635	318,083
— Clinical development services	148,240	192,365	236,907	112,775	139,273
	862,966	1,232,875	1,406,558	611,243	857,882

Unsatisfied performance obligations

The Group has different contractual arrangements with different customers under two different charge methods: FTE or FFS model.

All services under the FTE model, revenue is recognised over time at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under FTE model.

Similarly, certain services under the FFS model, revenue is recognised over time and contracts are generally within an original expected length of one year or less. Therefore, the practical expedients are also applied.

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Other income					
Interest income	1,788	377	368	162	1,513
Government grants and subsidies related to					
— Assets (i)	2,746	2,137	4,419	950	4,546
— Income (ii)	17,374	13,455	18,233	1,364	1,254
	21,908	15,969	23,020	2,476	7,313
Other gains					
Foreign exchange gains, net	16,960	–	30,099	7,189	1,863
Gains on fair value change of equity investment at fair value through profit or loss	–	–	246	246	1,054
Gains on bargain purchase of a subsidiary (note 40)	127	–	–	–	–
Gains on financial assets at fair value through profit or loss	–	–	–	–	450
Gains on fair value re-measurement of existing equity in business combination not under common control	–	–	–	–	10,363
Others	39	195	394	308	220
	17,126	195	30,739	7,743	13,950
	39,034	16,164	53,759	10,219	21,263

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Other expenses					
Foreign exchange loss, net	–	(34,695)	–	–	–
Losses on disposal of property, plant and equipment	(757)	(1,019)	(539)	(325)	(206)
Losses on disposal of right-of-use assets	–	–	(1,511)	–	–
Losses of derivative financial instruments	–	–	(2,134)	–	(10,479)
Others	(3,708)	(237)	(2,583)	(1,477)	(1,921)
	(4,465)	(35,951)	(6,767)	(1,802)	(12,606)

(i) The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognised in profit or loss over the useful lives of relevant assets. Details of these grants related to assets are set out in note 36.

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

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

7. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expenses on bank and other borrowings	16,953	63,193	79,951	38,215	38,361
Interest expenses on lease liabilities	4,424	8,721	11,142	5,806	4,038
Total interest expenses on financial liabilities not at fair value through profit or loss	21,377	71,914	91,093	44,021	42,399
Less: Interest capitalised	–	(3,378)	(8,727)	(5,266)	–
	21,377	68,536	82,366	38,755	42,399

8. PROFIT BEFORE TAX

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

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Depreciation of property, plant and equipment	124,464	186,171	255,192	120,768	148,216
Depreciation of right-of-use assets	24,928	44,246	58,027	29,142	29,717
Depreciation of investment properties	–	738	812	401	403
Amortisation of other intangible assets	708	2,248	1,889	1,021	1,378
Staff cost (including directors' and chief executive's remuneration):					
Salaries and other benefits	543,050	740,039	955,881	439,883	571,209
Pension scheme contribution, social welfare and other welfare	164,426	227,413	304,459	137,052	169,963
Share-based compensation expenses	22,007	–	–	–	–
Gains on fair value re-measurement of existing equity in business combination not under common control	–	–	–	–	(10,363)
Gains on fair value change of equity investment at fair value through profit or loss	–	–	(246)	(246)	(1,054)
Impairment losses on inventories, net of reversal	747	1,186	1,100	(653)	826
Impairment loss on financial and contract assets, net of reversal	1,734	2,151	8,886	980	(724)
Losses of derivative financial instruments	–	–	2,134	–	10,479

* The staff costs for the year/period are included in "Cost of sales", "Administrative expenses", "Selling and distribution expenses" and "Research and development costs" in the consolidated statement of profit or loss.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the emoluments paid or payable to the directors and the chief executive of the Company for the service provided to the Group during the Relevant Periods are as follows:

	Year ended December 31, 2016				
	Fees	Salaries	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive director:					
Dr. Boliang LOU	–	1,727	941	–	2,668
Executive directors:					
Mr. Xiaoqiang LOU	–	996	716	46	1,758
Ms. Bei ZHENG	–	1,112	480	46	1,638
Non-executive directors:					
Mr. Yongwu FAN (ii)	–	–	–	–	–
Mr. Zhijian WANG (iii)	–	–	–	–	–
Mr. Jiaqing LI	–	–	–	–	–
Mr. Hongbin ZHOU (i)	–	–	–	–	–
Independent non-executive directors:					
Mr. Lixin DAI (i)	16	–	–	–	16
Ms. Lihua LI (i)	16	–	–	–	16
Ms. Rong SHEN (i)	16	–	–	–	16
Ms. Guoqin CHEN (i)	16	–	–	–	16
	64	3,835	2,137	92	6,128

	Year ended December 31, 2017				
	Fees	Salaries	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive director:					
Dr. Boliang LOU	–	1,904	960	–	2,864
Executive directors:					
Mr. Xiaoqiang LOU	–	998	860	51	1,909
Ms. Bei ZHENG	–	1,118	660	51	1,829
Non-executive directors:					
Mr. Yongwu FAN (ii)	–	–	–	–	–
Mr. Zhijian WANG (iii)	–	–	–	–	–
Mr. Pingjin CHEN (iv)	–	–	–	–	–
Mr. Baifeng HU (iv)	–	–	–	–	–
Mr. Jiaqing LI	–	–	–	–	–
Mr. Hongbin ZHOU (i)	–	–	–	–	–
Independent non-executive directors:					
Mr. Lixin DAI (i)	96	–	–	–	96
Ms. Lihua LI (i)	96	–	–	–	96
Ms. Rong SHEN (i)	96	–	–	–	96
Ms. Guoqin CHEN (i)	96	–	–	–	96
	384	4,020	2,480	102	6,986

	Year ended December 31, 2018				
	Fees	Salaries	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive director:					
Dr. Boliang LOU	–	1,950	960	–	2,910
Executive directors:					
Mr. Xiaoqiang LOU	–	1,570	960	55	2,585
Ms. Bei ZHENG	–	1,310	960	55	2,325
Non-executive directors:					
Mr. Pingjin CHEN (iv)	–	–	–	–	–
Mr. Baifeng HU (iv)	–	–	–	–	–
Mr. Jiaqing LI	–	–	–	–	–
Mr. Hongbin ZHOU (i)	–	–	–	–	–
Independent non-executive directors:					
Mr. Lixin DAI (i)	96	–	–	–	96
Ms. Lihua LI (i)	96	–	–	–	96
Ms. Rong SHEN (i)	96	–	–	–	96
Ms. Guoqin CHEN (i)	96	–	–	–	96
	384	4,830	2,880	110	8,204

	Six months ended June 30, 2018				
	Fees	Salaries	Performance related bonuses	Pension scheme contribution	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Chief executive and executive director:					
Dr. Boliang LOU	–	986	–	–	986
Executive directors:					
Mr. Xiaoqiang LOU	–	711	–	26	737
Ms. Bei ZHENG	–	783	–	26	809
Non-executive directors:					
Mr. Pingjin CHEN (iv)	–	–	–	–	–
Mr. Baifeng HU (iv)	–	–	–	–	–
Mr. Jiaqing LI	–	–	–	–	–
Mr. Hongbin ZHOU (i)	–	–	–	–	–
Independent non-executive directors:					
Mr. Lixin DAI (i)	48	–	–	–	48
Ms. Lihua LI (i)	48	–	–	–	48
Ms. Rong SHEN (i)	48	–	–	–	48
Ms. Guoqin CHEN (i)	48	–	–	–	48
	192	2,480	–	52	2,724

	Six months ended June 30, 2019				
	Fees	Salaries	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive director:					
Dr. Boliang LOU	–	1,000	–	–	1,000
Executive directors:					
Mr. Xiaoqiang LOU	–	850	–	28	878
Ms. Bei ZHENG	–	750	–	28	778
Non-executive directors:					
Mr. Pingjin CHEN (iv)	–	–	–	–	–
Mr. Baifeng HU (iv)	–	–	–	–	–
Mr. Jiaqing LI	–	–	–	–	–
Mr. Hongbin ZHOU (i)	–	–	–	–	–
Independent non-executive directors:					
Mr. Lixin DAI (i)	75	–	–	–	75
Ms. Lihua LI (i)	75	–	–	–	75
Ms. Rong SHEN (i)	75	–	–	–	75
Ms. Guoqin CHEN (i)	75	–	–	–	75
	300	2,600	–	56	2,956

(i) Mr. Hongbin ZHOU, Mr. Lixin DAI, Ms. Lihua LI, Ms. Rong SHEN and Ms. Guoqin CHEN were appointed as directors of the Company on October 27, 2016.

(ii) Mr. Yongwu FAN was appointed as directors of the Company on October 27, 2016 and removed from the list of the directors of the Company on October 13, 2017.

(iii) Mr. Zhijian WANG was removed from the list of the directors of the Company on October 13, 2017.

(iv) Mr. Pingjin CHEN and Mr. Baifeng HU were appointed as directors of the Company on October 13, 2017.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019 include one, one, two, two, two directors disclosed above, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two highest paid employees who are neither a director nor chief executive of the Company for the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries	4,959	6,038	5,030	2,251	3,057
Performance related bonuses	1,838	3,281	2,713	–	–
Share-based compensation expenses	7,397	–	–	–	–
Pension scheme contribution	–	51	51	–	–
	14,194	9,370	7,794	2,251	3,057

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

	Number of employees				
	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
Nil to RMB1,000,000	–	–	–	3	2
RMB1,000,001 to RMB2,000,000	–	–	–	–	1
RMB2,000,001 to RMB3,000,000	1	4	3	–	–
RMB3,000,001 to RMB4,000,000	2	–	–	–	–
RMB4,000,001 to RMB5,000,000	1	–	–	–	–
	4	4	3	3	3

11. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax	36,432	52,047	47,820	15,433	22,143
Deferred tax	788	(2,264)	12,281	5,671	7,869
	37,220	49,783	60,101	21,104	30,012

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

The Company was accredited as a "High and New Technology Enterprise" in 2014 which was subsequently renewed in 2017 and as an "Advanced Technology Enterprise" in 2015, and therefore the Company was entitled to a preferential EIT rate of 15% for the Relevant Periods. "High and New Technology Enterprise" and "Advanced Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron Xi'an Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2014 which was subsequently renewed in 2017, and therefore Pharmaron Xi'an Co., Ltd. was entitled to a preferential EIT rate of 15% for the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Beijing) TSP Services Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2016 and as an "Advanced Technology Enterprise" in 2015, and therefore Pharmaron (Beijing) TSP Services Co., Ltd. was entitled to a preferential EIT rate of 15% for the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron Ningbo Co., Ltd. was accredited as a "Advanced Technology Enterprise" in 2017, and therefore Pharmaron Ningbo Co., Ltd. entitle to a preferential EIT rate of 15% for the years ended 31 December 2017 and 2018 and six months ended 30 June 2019. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

The group entities incorporated in USA are subject to the federal corporate tax rate at a range from 15%-39% for the years ended December 31, 2016 and 2017. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduces the federal corporate tax rate to 21% from the range of 15%-39% and is effective on January 1, 2018. The state income tax rate remains at a range from 5% to 10% as at December 31, 2016, 2017 and 2018 and six months ended June 30, 2019, respectively.

The group entities incorporated in the United Kingdom are entitled to the tax rate at 20% for the year ended December 31, 2016. In April 2017, according to SpringBudget 2017: Philip Hammond's speech, the tax rate reduced from 20% to 19% from April 2017. The tax rate remains at 19% for the years ended December 31, 2017, 2018 and the six months ended June 30, 2019.

The group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended December 31, 2016, 2017, 2018 and the six months ended 30 June 2019.

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

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax	208,554	268,447	395,944	141,496	186,693
Tax at the statutory tax rate of 25%	52,139	67,112	98,986	35,374	46,673
Effect of different tax rates of subsidiaries operating in other jurisdictions and tax concession	(18,131)	(29,104)	(39,838)	(15,550)	(18,157)
Over provision in respect of prior years	(109)	(127)	(384)	(384)	(64)
Losses attributable to associates	–	–	170	–	870
Income not subject to tax	–	–	–	–	(1,555)
Non-deductible expenses	4,346	497	646	271	146
Additional deductible allowance for R&D expenses	–	–	–	–	(1,047)
Utilization of tax losses and other deductible temporary differences previously not recognized as deferred tax assets	(2,373)	(4,662)	(3,067)	(1,274)	(1,028)
Unrecognised deductible temporary differences and tax losses	1,348	16,067	3,588	2,667	4,174
	37,220	49,783	60,101	21,104	30,012

12. DIVIDENDS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Dividends declared by the Company	–	–	–	72,192

No dividend has been paid or declared by the Company to its ordinary shareholders for the year ended December 31, 2016, 2017 and 2018.

On May 15, 2019, the Company's Shareholders approved the 2018 Profit Distribution Plan at an annual general meeting, pursuant to which an aggregate amount of RMB72,192,000 (inclusive of tax) were subsequently paid in July 2019 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2018 Profit Distribution Plan, which amounted to a dividend of RMB1.10 (inclusive of tax) for every 10 shares of the Company.

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

The calculation of basic earnings per share is based on the profit for the year/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 500,812,605, 590,663,575, 590,663,575, 590,663,575 and 645,355,242 in issue during the Relevant Periods, as adjusted to reflect the rights issue during the year.

The group had no potentially dilutive shares in issue during the Relevant Periods.

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

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Earnings:					
Profit attributable to ordinary equity holders of the parent	171,334	222,497	336,042	120,770	161,323

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
Number of shares:					
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	500,812,605	590,663,575	590,663,575	590,663,575	645,355,242

The computation of basic and diluted earnings per share for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 (unaudited) and 2019 is based on the weighted average number of shares assumed to be issue after taking into account the retrospective adjustment of the Joint-stock Reform.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Building	Laboratory equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Land	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2016								
At January 1, 2016:								
Cost	93,790	538,958	6,123	32,490	228,868	–	85,637	985,866
Accumulated depreciation and impairment	(4,315)	(229,099)	(1,394)	(20,780)	(87,454)	–	–	(343,042)
Net carrying amount	89,475	309,859	4,729	11,710	141,414	–	85,637	642,824
At January 1, 2016, net of accumulated depreciation	89,475	309,859	4,729	11,710	141,414	–	85,637	642,824
Additions	1,016	179,428	935	10,156	24,148	–	139,744	355,427
Acquisition of subsidiaries (note 40)	–	28,169	–	11,825	28,918	–	–	68,912
Disposals	–	(861)	(206)	(102)	–	–	–	(1,169)
Depreciation provided during the year	(5,337)	(76,510)	(705)	(7,521)	(34,391)	–	–	(124,464)
Transfer to fixed assets	15,883	–	–	–	–	–	(15,883)	–
Transfer to leasehold improvement	–	–	–	–	43,265	–	(43,265)	–
Exchange realignment	–	(2,746)	–	(1,210)	(2,320)	–	–	(6,276)
At December 31, 2016, net of accumulated depreciation	101,037	437,339	4,753	24,858	201,034	–	166,233	935,254
At December 31, 2016:								
Cost	110,689	728,535	6,559	49,695	322,838	–	166,233	1,384,549
Accumulated depreciation and impairment	(9,652)	(291,196)	(1,806)	(24,837)	(121,804)	–	–	(449,295)
Net carrying amount	101,037	437,339	4,753	24,858	201,034	–	166,233	935,254

Group	Building	Laboratory equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Land	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2017								
At December 31, 2016 and at January 1, 2017:								
Cost	110,689	728,535	6,559	49,695	322,838	–	166,233	1,384,549
Accumulated depreciation and impairment	(9,652)	(291,196)	(1,806)	(24,837)	(121,804)	–	–	(449,295)
Net carrying amount	101,037	437,339	4,753	24,858	201,034	–	166,233	935,254
At January 1, 2017, net of accumulated depreciation	101,037	437,339	4,753	24,858	201,034	–	166,233	935,254
Additions	809,419	290,528	1,880	23,107	53,348	87,314	125,631	1,391,227
Acquisition of subsidiaries (note 40)	77,082	23,316	262	773	–	–	164,407	265,840
Disposals	–	(1,197)	(2)	(96)	–	–	–	(1,295)
Depreciation provided during the year	(20,674)	(104,891)	(877)	(9,652)	(50,077)	–	–	(186,171)
Transfer to fixed assets	163,152	–	–	–	–	–	(163,152)	–
Transfer to investment properties	(21,008)	–	–	–	–	(24,947)	–	(45,955)
Transfer to leasehold improvement	–	–	–	–	3,381	–	(3,381)	–
Exchange realignment	(3,556)	304	–	400	488	744	–	(1,620)
At December 31, 2017, net of accumulated depreciation	1,105,452	645,399	6,016	39,390	208,174	63,111	289,738	2,357,280
At December 31, 2017:								
Cost	1,135,745	1,036,789	8,696	72,683	380,048	63,111	289,738	2,986,810
Accumulated depreciation and impairment	(30,293)	(391,390)	(2,680)	(33,293)	(171,874)	–	–	(629,530)
Net carrying amount	1,105,452	645,399	6,016	39,390	208,174	63,111	289,738	2,357,280

Group	Building	Laboratory equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Land	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2018								
At December 31, 2017 and at January 1, 2018:								
Cost	1,135,745	1,036,789	8,696	72,683	380,048	63,111	289,738	2,986,810
Accumulated depreciation and impairment	(30,293)	(391,390)	(2,680)	(33,293)	(171,874)	–	–	(629,530)
Net carrying amount	1,105,452	645,399	6,016	39,390	208,174	63,111	289,738	2,357,280
At January 1, 2018, net of accumulated depreciation	1,105,452	645,399	6,016	39,390	208,174	63,111	289,738	2,357,280
Additions	–	188,068	4,933	37,173	90,912	–	263,088	584,174
Disposals	–	(610)	(132)	(101)	–	–	(9,031)	(9,874)
Depreciation provided during the year	(50,308)	(135,582)	(1,203)	(14,691)	(53,408)	–	–	(255,192)
Transfer to fixed assets	415,790	93,119	–	–	–	–	(508,909)	–
Exchange realignment	2,809	(183)	–	(250)	(886)	(740)	–	750
At December 31, 2018, net of accumulated depreciation	1,473,743	790,211	9,614	61,521	244,792	62,371	34,886	2,677,138
At December 31, 2018:								
Cost	1,554,492	1,305,153	13,227	107,844	442,860	62,371	34,886	3,520,833
Accumulated depreciation and impairment	(80,749)	(514,942)	(3,613)	(46,323)	(198,068)	–	–	(843,695)
Net carrying amount	1,473,743	790,211	9,614	61,521	244,792	62,371	34,886	2,677,138

Group	Building	Laboratory equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Land	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
June 30, 2019								
At December 31, 2018 and at January 1, 2019:								
Cost	1,554,492	1,305,153	13,227	107,844	442,860	62,371	34,886	3,520,833
Accumulated depreciation and impairment	(80,749)	(514,942)	(3,613)	(46,323)	(198,068)	–	–	(843,695)
Net carrying amount	1,473,743	790,211	9,614	61,521	244,792	62,371	34,886	2,677,138
At January 1, 2019, net of accumulated depreciation	1,473,743	790,211	9,614	61,521	244,792	62,371	34,886	2,677,138
Additions	–	136,161	1,730	13,900	12,946	–	53,460	218,197
Acquisition of subsidiaries (Note 40)	–	19,459	221	2,588	2,880	–	–	25,148
Disposals	–	(566)	(15)	(16)	–	–	–	(597)
Depreciation provided during the period	(30,000)	(79,751)	(743)	(9,840)	(27,882)	–	–	(148,216)
Transfer to fixed assets	21,563	–	–	–	–	–	(21,563)	–
Exchange realignment	317	371	–	75	112	252	128	1,255
At June 30, 2019, net of accumulated depreciation	1,465,623	865,885	10,807	68,228	232,848	62,623	66,911	2,772,925
At June 30, 2019:								
Cost	1,576,408	1,455,597	15,081	123,886	457,103	62,623	66,911	3,757,609
Accumulated depreciation and impairment	(110,785)	(589,712)	(4,274)	(55,658)	(224,255)	–	–	(984,684)
Net carrying amount	1,465,623	865,885	10,807	68,228	232,848	62,623	66,911	2,772,925

The net carrying amounts of the Group's fixed assets held under sales and leaseback arrangements included in the total amounts of laboratory equipment at December 31, 2016, 2017, 2018 and June 30, 2019 were RMB82,219,000, RMB86,697,000, RMB61,473,000 and RMB41,325,000 respectively.

At December 31, 2016, 2017, 2018 and June 30, 2019, certain of the Group's buildings, land and equipment with a net carrying amount of approximately RMB37,170,000, RMB1,098,339,000, RMB1,464,969,000 and RMB1,467,356,000 were pledged to secure general banking facilities granted to the Group (note 31).

Company	Laboratory equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2016						
At January 1, 2016:						
Cost	451,438	4,276	23,129	155,246	1,420	635,509
Accumulated depreciation	(185,414)	(1,012)	(14,521)	(56,208)	–	(257,155)
Net carrying amount	266,024	3,264	8,608	99,038	1,420	378,354
At January 1, 2016, net of accumulated depreciation	266,024	3,264	8,608	99,038	1,420	378,354
Additions	128,037	440	5,336	19,907	21,739	175,459
Disposals	(861)	(206)	(101)	–	–	(1,168)
Depreciation provided during the year	(60,113)	(455)	(4,166)	(18,374)	–	(83,108)
Transfer to leasehold improvement	–	–	–	23,159	(23,159)	–
At December 31, 2016, net of accumulated depreciation	333,087	3,043	9,677	123,730	–	469,537
At December 31, 2016:						
Cost	566,578	4,216	25,105	198,312	–	794,211
Accumulated depreciation	(233,491)	(1,173)	(15,428)	(74,582)	–	(324,674)
Net carrying amount	333,087	3,043	9,677	123,730	–	469,537

Company	Building	Laboratory equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2017						
At December 31, 2016 and at January 1, 2017:						
Cost	–	566,578	4,216	25,105	198,312	794,211
Accumulated depreciation	–	(233,491)	(1,173)	(15,428)	(74,582)	(324,674)
Net carrying amount	–	333,087	3,043	9,677	123,730	469,537
At January 1, 2017, net of accumulated depreciation	–	333,087	3,043	9,677	123,730	469,537
Additions	827,248	121,789	586	8,410	36,390	994,423
Disposals	–	(15,187)	(52)	(53)	–	(15,292)
Depreciation provided during the year	(10,584)	(67,759)	(479)	(3,937)	(29,075)	(111,834)
At December 31, 2017, net of accumulated depreciation	816,664	371,930	3,098	14,097	131,045	1,336,834
At December 31, 2017:						
Cost	827,248	654,742	4,655	31,864	234,702	1,753,211
Accumulated depreciation	(10,584)	(282,812)	(1,557)	(17,767)	(103,657)	(416,377)
Net carrying amount	816,664	371,930	3,098	14,097	131,045	1,336,834

Company	Building	Laboratory equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2018							
At December 31, 2017 and at January 1, 2018:							
Cost	827,248	654,742	4,655	31,864	234,702	–	1,753,211
Accumulated depreciation	(10,584)	(282,812)	(1,557)	(17,767)	(103,657)	–	(416,377)
Net carrying amount	816,664	371,930	3,098	14,097	131,045	–	1,336,834
At January 1, 2018, net of accumulated depreciation	816,664	371,930	3,098	14,097	131,045	–	1,336,834
Additions	–	119,432	3,172	4,536	1,292	2,172	130,604
Disposals	–	(20,130)	(814)	(95)	–	–	(21,039)
Depreciation provided during the year	(31,766)	(78,970)	(575)	(4,004)	(33,081)	–	(148,396)
At December 31, 2018, net of accumulated depreciation	784,898	392,262	4,881	14,534	99,256	2,172	1,298,003
At December 31, 2018:							
Cost	827,248	741,819	6,388	35,024	235,994	2,172	1,848,645
Accumulated depreciation	(42,350)	(349,557)	(1,507)	(20,490)	(136,738)	–	(550,642)
Net carrying amount	784,898	392,262	4,881	14,534	99,256	2,172	1,298,003

Company	Building	Laboratory equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
June 30, 2019							
At December 31, 2018 and at January 1, 2019:							
Cost	827,248	741,819	6,388	35,024	235,994	2,172	1,848,645
Accumulated depreciation	(42,350)	(349,557)	(1,507)	(20,490)	(136,738)	–	(550,642)
Net carrying amount	784,898	392,262	4,881	14,534	99,256	2,172	1,298,003
At January 1, 2019, net of accumulated depreciation.	784,898	392,262	4,881	14,534	99,256	2,172	1,298,003
Additions	–	43,081	559	1,978	6,000	16,049	67,667
Disposals	–	(3,172)	–	(14)	–	–	(3,186)
Depreciation provided during the period.	(15,996)	(42,194)	(314)	(2,351)	(16,989)	–	(77,844)
Transfer to fixed assets.	18,146	–	–	–	–	(18,146)	–
At June 30, 2019, net of accumulated depreciation.	787,048	389,977	5,126	14,147	88,267	75	1,284,640
At June 30, 2019:							
Cost	845,394	774,166	6,947	36,519	241,994	75	1,905,095
Accumulated depreciation	(58,346)	(384,189)	(1,821)	(22,372)	(153,727)	–	(620,455)
Net carrying amount	787,048	389,977	5,126	14,147	88,267	75	1,284,640

The net carrying amounts of the Company's fixed assets held under sales and leaseback arrangements included in the total amounts of laboratory equipment at December 31, 2016, 2017, 2018 and June 30, 2019 were RMB72,989,000, RMB78,956,000, RMB54,854,000 and RMB35,262,000 respectively.

At December 31, 2016, 2017, 2018 and June 30, 2019, certain of the Company's buildings and equipment with a net carrying amount of approximately RMB37,170,000, RMB816,664,000, RMB784,897,000 and RMB784,047,000 arrangements were pledged to secure general banking facilities granted to the Group (note 31).

15. RIGHT-OF-USE ASSETS

Group	Office premises	Laboratory equipment	Furniture, fixtures and equipment	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2016					
At January 1, 2016:					
Cost	49,237	16,563	–	20,936	86,736
Accumulated depreciation and impairment	(33,067)	(16,563)	–	(1,605)	(51,235)
Net carrying amount	16,170	–	–	19,331	35,501
At January 1, 2016, net of accumulated depreciation	16,170	–	–	19,331	35,501
Additions	77,028	–	744	–	77,772
Acquisition of subsidiaries (note 40)	44,529	9,343	195	–	54,067
Depreciation provided during the year	(22,826)	(1,187)	(496)	(419)	(24,928)
Exchange realignment	(2,636)	(874)	(33)	–	(3,543)
At December 31, 2016, net of accumulated depreciation.	112,265	7,282	410	18,912	138,869
At December 31, 2016:					
Cost	168,006	24,967	878	20,936	214,787
Accumulated depreciation and impairment	(55,741)	(17,685)	(468)	(2,024)	(75,918)
Net carrying amount	112,265	7,282	410	18,912	138,869

Group	Office premises	Laboratory equipment	Furniture, fixtures and equipment	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2017					
At December 31, 2016 and at January 1, 2017:					
Cost	168,006	24,967	878	20,936	214,787
Accumulated depreciation and impairment	(55,741)	(17,685)	(468)	(2,024)	(75,918)
Net carrying amount	112,265	7,282	410	18,912	138,869
At January 1, 2017, net of accumulated depreciation	112,265	7,282	410	18,912	138,869
Additions	151,656	2,467	–	147,125	301,248
Acquisition of subsidiaries (note 40)	3,489	545	–	67,577	71,611
Depreciation provided during the year	(38,692)	(2,232)	(410)	(2,912)	(44,246)
Exchange realignment	1,046	206	–	–	1,252
At December 31, 2017, net of accumulated depreciation	229,764	8,268	–	230,702	468,734
At December 31, 2017:					
Cost	282,441	26,207	–	235,638	544,286
Accumulated depreciation and impairment	(52,677)	(17,939)	–	(4,936)	(75,552)
Net carrying amount	229,764	8,268	–	230,702	468,734

Group	Office premises	Laboratory equipment	Furniture, fixtures and equipment	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2018					
At December 31, 2017 and at January 1, 2018:					
Cost	282,441	26,207	–	235,638	544,286
Accumulated depreciation and impairment	(52,677)	(17,939)	–	(4,936)	(75,552)
Net carrying amount	229,764	8,268	–	230,702	468,734
At January 1, 2018, net of accumulated depreciation	229,764	8,268	–	230,702	468,734
Additions	–	–	–	109,850	109,850
Disposal	–	–	–	(21,266)	(21,266)
Depreciation provided during the year	(50,817)	(1,522)	–	(5,688)	(58,027)
Exchange realignment	(318)	(52)	–	–	(370)
At December 31, 2018, net of accumulated depreciation	178,629	6,694	–	313,598	498,921
At December 31, 2018:					
Cost	232,051	26,126	–	323,528	581,705
Accumulated depreciation and impairment	(53,422)	(19,432)	–	(9,930)	(82,784)
Net carrying amount	178,629	6,694	–	313,598	498,921

Group	Office premises	Laboratory equipment	Furniture, fixtures and equipment	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
June 30, 2019					
At December 31, 2018 and at January 1, 2019:					
Cost	232,051	26,126	–	323,528	581,705
Accumulated depreciation and impairment	(53,422)	(19,432)	–	(9,930)	(82,784)
Net carrying amount	178,629	6,694	–	313,598	498,921
At January 1, 2019, net of accumulated depreciation	178,629	6,694	–	313,598	498,921
Additions	2,264	–	564	–	2,828
Acquisition of subsidiaries (note 40)	5,800	–	–	–	5,800
Depreciation provided during the period	(25,414)	(759)	(48)	(3,496)	(29,717)
Exchange realignment	203	31	7	–	241
At June 30, 2019, net of accumulated depreciation	161,482	5,966	523	310,102	478,073
At June 30, 2019:					
Cost	240,356	26,163	572	323,528	590,619
Accumulated depreciation and impairment	(78,874)	(20,197)	(49)	(13,426)	(112,546)
Net carrying amount	161,482	5,966	523	310,102	478,073

As at December 31, 2017, 2018 and June 30, 2019, certain of the Group's land use rights with net carrying amounts of approximately RMB85,261,000, RMB83,456,000 and RMB82,554,000 were pledged to secure general banking facilities granted to the Group (note 31).

Company	Office premises	Land use rights	Total
	RMB'000	RMB'000	RMB'000
December 31, 2016			
At January 1, 2016, net of accumulated depreciation	–	–	–
Additions	30,856	–	30,856
Depreciation provided during the year	(1,029)	–	(1,029)
At December 31, 2016, net of accumulated depreciation	29,827	–	29,827
At December 31, 2016:			
Cost	30,856	–	30,856
Accumulated depreciation and impairment	(1,029)	–	(1,029)
Net carrying amount	29,827	–	29,827

Company	Office premises	Land use rights	Total
	RMB'000	RMB'000	RMB'000
December 31, 2017			
At December 31, 2016 and at January 1, 2017:			
Cost	30,856	–	30,856
Accumulated depreciation and impairment	(1,029)	–	(1,029)
Net carrying amount	29,827	–	29,827
At January 1, 2017, net of accumulated depreciation	29,827	–	29,827
Additions	–	125,167	125,167
Depreciation provided during the year	(6,171)	(1,247)	(7,418)
At December 31, 2017, net of accumulated depreciation	23,656	123,920	147,576
At December 31, 2017:			
Cost	30,856	125,167	156,023
Accumulated depreciation and impairment	(7,200)	(1,247)	(8,447)
Net carrying amount	23,656	123,920	147,576

Company	Office premises	Land use rights	Total
	RMB'000	RMB'000	RMB'000
December 31, 2018			
At December 31, 2017 and at January 1, 2018:			
Cost	30,856	125,167	156,023
Accumulated depreciation and impairment	(7,200)	(1,247)	(8,447)
Net carrying amount	23,656	123,920	147,576
At January 1, 2018, net of accumulated depreciation	23,656	123,920	147,576
Depreciation provided during the year	(6,171)	(2,992)	(9,163)
At December 31, 2018, net of accumulated depreciation	17,485	120,928	138,413
At December 31, 2018:			
Cost	30,856	125,167	156,023
Accumulated depreciation and impairment	(13,371)	(4,239)	(17,610)
Net carrying amount	17,485	120,928	138,413

Company	Office premises	Land use rights	Total
	RMB'000	RMB'000	RMB'000
June 30, 2019			
At December 31, 2018 and at January 1, 2019:			
Cost	30,856	125,167	156,023
Accumulated depreciation and impairment	(13,371)	(4,239)	(17,610)
Net carrying amount	17,485	120,928	138,413
At January 1, 2019, net of accumulated depreciation	17,485	120,928	138,413
Depreciation provided during the year	(3,086)	(1,496)	(4,582)
At June 30, 2019, net of accumulated depreciation	14,399	119,432	133,831
At June 30, 2019:			
Cost	30,856	125,167	156,023
Accumulated depreciation and impairment	(16,457)	(5,735)	(22,192)
Net carrying amount	14,399	119,432	133,831

16. INVESTMENT PROPERTIES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cost	–	46,504	45,958	46,144
Accumulated depreciation and impairment	–	(743)	(1,530)	(1,937)
Net carrying amount	–	45,761	44,428	44,207
At the beginning of year/period, net of accumulated depreciation	–	–	45,761	44,428
Transfer from property, plant and equipment	–	45,955	–	–
Depreciation provided during the year/period	–	(738)	(812)	(403)
Exchange realignment	–	544	(521)	182
At the end of year/period, net of accumulated depreciation	–	45,761	44,428	44,207

At December 31, 2017 and 2018 and June 30, 2019, certain of the Group's investment properties with net carrying amounts of approximately RMB45,761,000, RMB44,428,000 and RMB44,207,000 were pledged to secure general banking facilities granted to the Group (note 31).

As at December 31, 2017 and 2018 and June 30, 2019, the fair value of the investment properties was estimated to be approximately RMB49,671,000, RMB49,088,000 and RMB49,287,000, respectively. The valuation was determined using the direct comparison method. The direct comparison method is applied based on the market prices of comparable properties with similar sizes, characters and locations.

17. GOODWILL

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cost	–	133,524	139,917	201,313
Accumulated impairment	–	–	–	–
Net carrying amount	–	133,524	139,917	201,313
Opening carrying amount, net of accumulated impairment	–	–	133,524	139,917
Acquisition of subsidiaries (note 40)	–	140,915	–	61,172
Exchange realignment	–	(7,391)	6,393	224
	–	133,524	139,917	201,313

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- CPC business cash-generating unit;
- Pharmaron ABS business cash-generating unit;
- Pharmaron (Ningbo) Technology Development business cash-generating unit; and
- Nanjing Sirui business cash-generating unit.

CPC business cash-generating unit

The recoverable amount of the CPC business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13% and cash flows beyond the five-year period were extrapolates using a growth rate of 3%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Pharmaron ABS business cash-generating unit

The recoverable amount of the Pharmaron ABS business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15.6% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Pharmaron (Ningbo) Technology Development business cash-generating unit

The recoverable amount of the Pharmaron (Ningbo) Technology Development business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 18.8% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Nanjing Sirui business cash-generating unit

The recoverable amount of the Nanjing Sirui business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 18.7% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	CPC business			
	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	–	100,933	106,015	106,193

	Pharmaron ABS business			
	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	–	26,049	27,360	27,406

	Pharmaron (Ningbo) Technology Development business			
	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	–	6,542	6,542	6,542

	Nanjing Sirui business			
	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	–	–	–	61,172

Assumptions were used in the value in use calculation of CPC business, Pharmaron ABS business, Pharmaron (Ningbo) Technology Development business and Nanjing Sirui business cash-generating units for December 31, 2016, 2017, 2018 and June 30, 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins—The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates—The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on the market development of CPC business, Pharmaron ABS business, Pharmaron (Ningbo) Technology Development business and Nanjing Sirui business and discount rates are consistent with external information sources.

Based on the results of the goodwill impairment testing, the recoverable amount of each cash-generating units exceeded its carrying amount are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
CPC business	N/A	35,100	43,026	40,894
Pharmaron ABS business	N/A	13,197	15,651	34,581
Pharmaron (Ningbo) Technology Development business	N/A	32,592	45,393	55,333
Nanjing Sirui business	N/A	N/A	N/A	52,091
	N/A	80,889	104,070	182,899

Sensitivity to changes in assumptions

By applying a certain basis point decrease in the terminal growth rate or increase in the discount rate as follows would result in the decrease in the recoverable amount of each cash-generating unit:

	1% decrease in terminal growth rate				1% increase in discount rate (pre-tax)			
	At December 31,			At June 30,	At December 31,			At June 30,
	2016	2017	2018	2019	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CPC business	N/A	(16,805)	(11,817)	(15,846)	N/A	(24,997)	(17,014)	(24,422)
Pharmaron ABS business	N/A	(8,313)	(8,318)	(7,839)	N/A	(10,629)	(10,637)	(12,388)
Pharmaron (Ningbo) Technology Development business	N/A	(15,707)	(18,660)	(20,339)	N/A	(22,116)	(34,158)	(37,820)
Nanjing Sirui business	N/A	N/A	N/A	(20,915)	N/A	N/A	N/A	(25,634)

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

18. OTHER INTANGIBLE ASSETS

Group

	Software	Patent	Client relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2016				
Cost at January 1, 2016, net of accumulated amortisation	2,005	163	–	2,168
Additions	1,387	–	–	1,387
Amortisation provided during the year	(696)	(12)	–	(708)
At December 31, 2016	2,696	151	–	2,847

	Software	Patent	Client relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2017				
Cost at January 1, 2017, net of accumulated amortisation	2,696	151	–	2,847
Additions	5,295	190	–	5,485
Acquisition of subsidiaries (note 40)	2,192	41	–	2,233
Amortisation provided during the year	(2,215)	(33)	–	(2,248)
Transfer to investment properties	–	–	–	–
Exchange realignment	(107)	(3)	–	(110)
At December 31, 2017	7,861	346	–	8,207

	Software	Patent	Client relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2018				
Cost at January 1, 2018, net of accumulated amortisation	7,861	346	–	8,207
Additions	7,407	118	–	7,525
Amortisation provided during the year	(1,853)	(36)	–	(1,889)
Exchange realignment	56	1	–	57
At December 31, 2018	13,471	429	–	13,900

	Software	Patent	Client relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
June 30, 2019				
Cost at January 1, 2019, net of accumulated amortisation	13,471	429	–	13,900
Additions	4,204	–	–	4,204
Acquisition of subsidiaries (note 40)	1,260	–	16,200	17,460
Amortisation provided during the period	(1,225)	(18)	(135)	(1,378)
Exchange realignment	11	–	–	11
At June 30, 2019	17,721	411	16,065	34,197

Company

	Software	Patent	Total
	RMB'000	RMB'000	RMB'000
December 31, 2016			
Cost at January 1, 2016, net of accumulated amortisation	2,005	163	2,168
Additions	1,387	–	1,387
Amortisation provided during the year	(696)	(12)	(708)
At December 31, 2016	2,696	151	2,847

	Software	Patent	Total
	RMB'000	RMB'000	RMB'000
December 31, 2017			
Cost at January 1, 2017, net of accumulated amortisation	2,696	151	2,847
Additions	4,665	190	4,855
Amortisation provided during the year	(1,811)	(23)	(1,834)
At December 31, 2017	5,550	318	5,868

	Software	Patent	Total
	RMB'000	RMB'000	RMB'000
December 31, 2018			
Cost at January 1, 2018, net of accumulated amortisation	5,550	318	5,868
Additions	1,849	–	1,849
Amortisation provided during the year	(1,176)	(25)	(1,201)
At December 31, 2018	6,223	293	6,516

	Software	Patent	Total
	RMB'000	RMB'000	RMB'000
June 30, 2019			
Cost at January 1, 2019, net of accumulated amortisation	6,223	293	6,516
Additions	295	–	295
Amortisation provided during the period	(483)	(13)	(496)
At June 30, 2019	6,035	280	6,315

19. INVESTMENTS IN ASSOCIATES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	–	–	10,571	29,138
Goodwill on acquisition	–	–	18,297	102,489
	–	–	28,868	131,627

In July 2018, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB30,000,000 in exchange for approximately 23.08% of its equity interest. The Group was able to exercise significant influence over Nanjing Sirui because one of the three directors of Nanjing Sirui was appointed by the Group as at December 31, 2018.

In March 2019, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB45,000,000 in exchange for approximately 19.78% of its equity interest.

In May 2019, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB75,000,000 in exchange for approximately 12.70% of its equity interest. Therefore, Nanjing Sirui has become a subsidiary and is no longer an associate of the Group. Nanjing Sirui is a limited liability company incorporated under the laws of the PRC.

The directors of the Company are of the opinion that no impairment loss should be recognised as of December 31, 2018 and June 30, 2019, respectively, on the basis that: (i) the value of equity interest in Nanjing Sirui as demonstrated in a subsequent transaction that took place in 2019 exceeded the carrying amount of the Company's investment in Nanjing Sirui as of December 31, 2018 and (ii) no observable data in connection with any significant loss event of LinkStart or any other associates of the Company as of June 30, 2019 was available to the Company or otherwise caused the Company to believe any significant adverse change in the business and financial position of these associates occurred since its investment in these associates in the first and second quarter of 2019.

Particulars of the material associate as at June 30, 2019 are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Beijing LinkStart Biotechnology Co., Ltd. ("LinkStart")	Ordinary shares	PRC/Mainland China	48.00%	Scientific research and technology services

In May 2019, the Group acquired a 48.00% equity interest in LinkStart at a cash consideration of RMB120,000,000. LinkStart is a limited liability company incorporated under the laws of the PRC.

LinkStart, which is considered a material associate of the Group, is a strategic partner of the Group is and accounted for using the equity method.

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

	As at June 30, 2019
	RMB'000
Current assets	104,854
Non-current assets	771
Current liabilities	(55,748)
Net assets	49,877
Proportion of the Group's ownership	48%
Group's share of net assets of the associate	23,941
Goodwill on acquisition	95,920
Carrying amount of the investment	119,861

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

	As at December 31, 2018
	RMB'000
Share of the associate's losses for the year	(1,132)
Carrying amount of the Group's investment in the associate	28,868

	As at June 30, 2019
	RMB'000
Share of the associates' losses for the period	(5,659)
Aggregate amount of the Group's investments in the associates	11,766

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investments	3,469	3,267	24,267	34,126

The above unlisted equity investments represent investments in Zeno Pharmaceuticals, Inc ("Zeno") and Imago Biosciences, Inc. ("Imago"). The above equity investments are at fair value through profit or loss.

21. DEFERRED TAX

Group

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

	As at December 31, 2016				
	Losses available for offsetting against future taxable profits	Impairment provision for assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance at January 1, 2016	2,829	498	2,850	665	6,842
Deferred tax credited/(charged) to profit or loss during the year	(1,105)	262	(240)	295	(788)
Deferred tax assets at December 31, 2016	1,724	760	2,610	960	6,054

	As at December 31, 2017				
	Losses available for offsetting against future taxable profits	Impairment provision for assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	1,724	760	2,610	960	6,054
Deferred tax credited/(charged) to profit or loss during the year	(232)	621	(240)	1,605	1,754
Acquisition of subsidiaries (note 40)	1,876	–	–	–	1,876
Deferred tax assets at December 31, 2017	3,368	1,381	2,370	2,565	9,684

	As at December 31, 2018				
	Losses available for offsetting against future taxable profits	Impairment provision for assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	3,368	1,381	2,370	2,565	9,684
Deferred tax credited to profit or loss during the year	1,152	1,109	1,537	2,315	6,113
Deferred tax assets at December 31, 2018	4,520	2,490	3,907	4,880	15,797

	As at June 30, 2019				
	Losses available for offsetting against future taxable profits	Impairment provision for assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	4,520	2,490	3,907	4,880	15,797
Deferred tax credited/(charged) to profit or loss during the period	(99)	13	18,474	313	18,701
Deferred tax assets at June 30, 2019	4,421	2,503	22,381	5,193	34,498

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

	As at December 31, 2017	
	Fair value gain arising from acquisition of subsidiaries	Total
	RMB'000	RMB'000
At January 1, 2017	–	–
Acquisition of subsidiaries (note 40)	11,829	11,829
Deferred tax credited to profit or loss during the year	(510)	(510)
Exchange realignment	(198)	(198)
Deferred tax liabilities at December 31, 2017	11,121	11,121

	As at December 31, 2018		
	Fair value gain arising from acquisition of subsidiaries	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2018	11,121	–	11,121
Deferred tax charged/(credited) to profit or loss during the year	(974)	19,368	18,394
Exchange realignment	142	–	142
Deferred tax liabilities at December 31, 2018	10,289	19,368	29,657

	As at June 30, 2019		
	Fair value gain arising from acquisition of subsidiaries	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2019	10,289	19,368	29,657
Deferred tax charged/(credited) to profit or loss during the period	(419)	26,989	26,570
Acquisition of subsidiaries (note 40)	4,298	–	4,298
Deferred tax liabilities at June 30, 2019	14,168	46,357	60,525

For presentation purposes, certain deferred tax assets and liabilities with amounts of nil, nil, RMB7,351,000 and RMB27,424,000 as at December 31, 2016, 2017 and 2018, and June 30, 2019, respectively, have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	6,054	9,684	8,446	7,074
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	11,121	22,306	33,101

Company

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

	As at December 31, 2016				
	Losses available for offsetting against future taxable profits	Impairment provision for assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	–	380	202	310	892
Deferred tax credited/(charged) to the profit or loss during the year	–	58	(101)	222	179
Deferred tax assets at December 31, 2016	–	438	101	532	1,071

	As at December 31, 2017				
	Losses available for offsetting against future taxable profits	Impairment provision for assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	–	438	101	532	1,071
Deferred tax credited/(charged) to profit or loss during the year	–	144	(101)	142	185
Deferred tax assets at December 31, 2017	–	582	–	674	1,256

	As at December 31, 2018				
	Losses available for offsetting against future taxable profits	Impairment provision for assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	–	582	–	674	1,256
Deferred tax credited to profit or loss during the year	–	304	1,676	292	2,272
Deferred tax assets at December 31, 2018	–	886	1,676	966	3,528

	As at June 30, 2019				
	Losses available for offsetting against future taxable profits	Impairment provision for assets	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	–	886	1,676	966	3,528
Deferred tax credited/(charged) to profit or loss during the period	–	184	(164)	208	228
Deferred tax assets at June 30, 2019	–	1,070	1,512	1,174	3,756

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

	As at December 31, 2018		
	Fair value gain arising from acquisition of subsidiaries	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2018	–	–	–
Deferred tax charged to profit or loss during the year	–	15,409	15,409
Deferred tax liabilities at December 31, 2018	–	15,409	15,409

	As at June 30, 2019		
	Fair value gain arising from acquisition of subsidiaries	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2019	–	15,409	15,409
Deferred tax charged to profit or loss during the period	–	5,690	5,690
Deferred tax liabilities at June 30, 2019	–	21,099	21,099

For presentation purposes, certain deferred tax assets and liabilities with amount of nil, nil, RMB3,528,000 and RMB3,756,000 as at December 31, 2016, 2017 and 2018, and June 30, 2019, respectively, have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,071	1,256	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–	11,881	17,343

In accordance with PRC laws and regulations, tax losses could be carried forward for five years to offset against future taxable profits. According to the Notice 2018 No.76 of the Ministry of Finance, from January 1, 2018, the enterprises that have the qualifications as High and New Technology Enterprise will be able to make up for the losses that have not been completed in the previous five years before the qualification year. Therefore, certain PRC companies longest tax loss carry-over period is extended from 5 years to 10 years. The Group's subsidiaries in the U.S. and the U.K. losses can be carried-over indefinitely. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group had unrecognized temporary differences and unused tax losses available for offsetting against future profits in respect of certain subsidiaries in the U.S. and the U.K. of RMB35,274,000, RMB327,100,000, RMB360,132,000 and RMB381,694,000 as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively, and the deferred tax assets have not been recognised. Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. OTHER NON-CURRENT ASSETS

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for purchase of property, plant and equipment (i)	712,535	11,520	12,612	15,681
Prepayment for acquisition of equity interest in an associate (ii)	–	–	44,000	–
Deposits	16,105	31,906	31,931	22,392
Others	4,894	2,938	1,544	1,004
	733,534	46,364	90,087	39,077

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for purchase of property, plant and equipment (i)	702,581	8,567	9,152	8,842
Prepayment for acquisition of equity interest in an associate (ii)	–	–	44,000	–
Deposits	12,699	23,467	19,044	9,044
Others	4,362	2,708	1,385	899
	719,642	34,742	73,581	18,785

(i) As at December 31, 2016, the balance of prepayment for purchase of property, plant and equipment included the advance payment to a related party for the purchase of a property located at Taihe Road, Daxing District, Beijing, which amounted to RMB700,000,000. Further details are contained in note 45 to the financial statement.

(ii) On October 31, 2018, the Company and other shareholders of Nanjing Sirui entered into a capital increase agreement. As at December 31, 2018, a payment of RMB44,000,000 has been placed for further capital injection.

As at December 31, 2016, 2017 and 2018, and June 30, 2019, the financial assets included in other non-current assets of the Group and the Company considered to be of low credit risk and thus the Group has assessed that the ECL for deposits is immaterial under the 12-months expected credit loss method.

23. INVENTORIES

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and consumables	42,847	59,015	70,148	81,186

The inventories are net of a write-down of approximately RMB3,311,000, RMB3,863,000, RMB4,957,000 and RMB5,779,000 as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and consumables	13,507	18,095	19,289	22,931

The inventories are net of a write-down of approximately RMB2,200,000, RMB2,014,000, RMB2,214,000 and RMB2,559,000 as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

24. CONTRACT COSTS

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Costs to fulfil contracts	49,730	34,251	50,313	61,920

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Costs to fulfil contracts	4,900	2,060	5,143	6,677

25. TRADE RECEIVABLES

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables—third parties	362,568	499,669	617,751	666,912
Allowance for impairment	(10,520)	(4,772)	(13,758)	(12,854)
	352,048	494,897	603,993	654,058

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

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

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	352,713	496,166	599,331	650,882
1 year to 2 years	1,697	3,287	15,330	13,291
More than 2 years	8,158	216	3,090	2,739
	362,568	499,669	617,751	666,912

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	8,697	10,520	4,772	13,758
Impairment losses, net	995	1,652	8,807	(950)
Write-off	–	(7,805)	–	–
Exchange realignment	828	405	179	46
	10,520	4,772	13,758	12,854

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

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

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

Group

	As at December 31, 2016		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Current	0.29%	308,985	899
Within 3 months	1.69%	43,445	735
3 months to 9 months	10.95%	283	31
Over 9 months	89.85%	9,855	8,855
		362,568	10,520

	As at December 31, 2017		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Current	0.29%	468,518	1,359
Within 3 months	2.21%	25,521	564
3 months to 9 months	17.49%	2,127	372
Over 9 months	70.71%	3,503	2,477
		499,669	4,772

	As at December 31, 2018		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Current	0.23%	575,602	1,324
Within 3 months	1.64%	10,107	166
3 months to 9 months	11.58%	13,622	1,578
Over 9 months	58.03%	18,420	10,690
		617,751	13,758

Group

	As at June 30, 2019		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Current	0.32%	595,204	1,905
Within 3 months	2.50%	35,782	895
3 months to 9 months	10.83%	19,896	2,155
Over 9 months	49.28%	16,030	7,899
		666,912	12,854

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables—third parties	23,893	62,483	68,864	109,088
Trade receivables—subsidiaries of the Company	164,670	522,293	803,016	869,342
Allowance for impairment	(723)	(1,864)	(3,690)	(4,572)
	187,840	582,912	868,190	973,858

Trade receivables are non-interest-bearing. At the end of each of the Relevant Periods, the Company is of the view that there is no need to provide impairment for trade receivables from the subsidiaries of the Company.

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	520	723	1,864	3,690
Impairment losses, (net)	203	1,141	1,826	882
	723	1,864	3,690	4,572

26. CONTRACT ASSETS

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	37,389	45,147	52,470	117,064
Allowance for impairment	(814)	(1,313)	(1,392)	(2,917)
	36,575	43,834	51,078	114,147

The contract assets primarily relate to the Group's right to consideration for work completed and not billed. The contract assets are transferred to trade receivables when the rights become unconditional.

The expected timing of recovery or settlement is generally within one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	75	814	1,313	1,392
Impairment losses, net	739	499	79	1,524
Exchange realignment	–	–	–	1
	814	1,313	1,392	2,917

The Group has applied the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all contract assets. To measure the ECLs, contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECLs below also incorporate forward-looking information. The impairment as at the end of each of the Relevant Periods was determined as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
Expected credit loss	2.18%	2.91%	2.65%	2.49%
Gross carrying amount	37,389	45,147	52,470	117,064
Impairment	(814)	(1,313)	(1,392)	(2,917)

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	5,037	2,429	3,600	9,521
Deposits and other receivables	56,937	4,471	11,104	71,711
Prepaid expenses	11,748	18,125	28,603	33,647
Tax recoverable	64,735	99,905	118,208	111,474
Others	2,877	8,417	17,936	2,500
	141,334	133,347	179,451	228,853

As at December 31, 2016, deposits and other receivables included a rental deposit paid to a related party, which amounted to RMB42,800,000.

As at the end of each of the Relevant Periods, other receivables of the Group are considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is immaterial under the 12-month expected loss method.

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	1,757	995	1,292	915
Deposits and other receivables	52,050	1,495	2,609	1,941
Prepaid expenses	6,694	6,805	13,585	12,609
Tax recoverable	44,947	61,776	32,409	3,236
Others	2,877	8,416	17,152	1,604
Amounts due from subsidiaries	42,653	26,481	77,740	363,477
	150,978	105,968	144,787	383,782

As at December 31, 2016, deposits and other receivables included a rental deposit paid to a related party, which amounted to RMB42,800,000.

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Most of the above assets is neither past due nor impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

As at the end of each of the Relevant Periods, financial assets included in other receivables of the Company are considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is immaterial under the 12-month expected loss method.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into a series of wealth management products with banks and other financial institutions in the PRC. The investments are principal-guaranteed by the relevant financial institutions. The expected rates of return ranged from 2.58% to 3.58% per annum for the six months ended June 30, 2019, which were determined by reference to the returns of the underlying investment portfolio.

29. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Foreign currency forward contracts	–	–	413	–
Current liabilities				
Foreign currency forward contracts and collars	–	–	–	3,130

From 2018, the Group entered into several foreign exchange forward contracts and collar with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB. The foreign currency forward contracts and collars are not designated for hedge purposes and are measured at fair value through profit or loss.

For the year ended December 31, 2018 and the six months ended June 30, 2019, losses under forward foreign exchange contracts and collars of RMB2,134,000 and RMB10,479,000 were recognized in other expenses, respectively.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	461,944	293,601	307,235	331,324
Pledged deposits	8,266	11,898	13,476	8,218
	470,210	305,499	320,711	339,542

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents and pledged deposits Denominated in				
—RMB	126,144	64,113	78,659	165,470
—USD	330,396	218,392	208,480	142,975
—GBP	10,233	17,830	28,987	27,249
—Others	3,437	5,164	4,585	3,848
	470,210	305,499	320,711	339,542

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

Cash and cash equivalents earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

Pledged deposits earn interest at interest rates stipulated by the respective financial institutions. Pledged deposits represent the amounts pledged to issue letters of credit and deposits for environmental protection.

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	265,627	33,584	47,129	98,477
Pledged deposits	3,446	5,890	163	163
	269,073	39,474	47,292	98,640

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at December 31,									As at June 30,		
	2016			2017			2018			2019		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current												
Bank loans—secured (a)	5.220%~6.000%	2017	146,690	4.000%~5.655%	2018	280,222	3.200%~5.873%	2019	385,215	3.200%~5.873%	2019~2020	496,998
Bank loans—unsecured	4.785%~5.000%	2017	102,548	4.785%~6.500%	2018	133,643	4.785%~6.500%	2019	112,408	4.785%~6.500%	2019~2020	71,962
Other borrowing—secured (b)	6.000%~6.250%	2017	56,477	4.500%~6.000%	2018	53,347	6.000%	2019	37,345	4.500%~5.300%	2020	21,190
			305,715			467,212			534,968			590,150
Non-current												
Bank loans—secured (a)	4.900%	2026	315,000	4.900%~6.000%	2020~2026	723,087	4.900%~5.390%	2020~2026	770,094	4.900%~5.390%	2021~2026	681,950
Bank loans—unsecured	–	–	–	4.988%~5.366%	2020	106,380	4.988%~5.368%	2020	106,040	5.130%~5.368%	2020	46,100
Other borrowing—secured (b)	6.000%	2019	47,761	4.500%~6.000%	2019~2021	59,983	4.500%~5.300%	2021	22,865	4.500%~5.300%	2021	12,314
			362,761			889,450			898,999			740,364
			668,476			1,356,662			1,433,967			1,330,514

Analysed into:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings repayable:				
Within one year	305,715	467,212	534,968	590,150
In the second year	66,743	169,798	234,054	150,914
In the third to fifth years, inclusive	121,018	435,102	446,658	352,000
Beyond five years	175,000	284,550	218,287	237,450
	668,476	1,356,662	1,433,967	1,330,514

Company

	As at December 31,									As at June 30,		
	2016			2017			2018			2019		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current												
Bank loans—secured	5.220%~6.000%	2017	149,868	4.000%~5.655%	2018	187,787	3.200%~5.873%	2019	316,864	3.600%~5.700%	2019~2020	387,417
Other borrowing—secured (b)	6.000%~6.250%	2017	56,477	4.500%~6.000%	2018	53,347	6.000%	2019	37,345	4.500%~5.300%	2020	21,190
			206,345			241,134			354,209			408,607
Non-current												
Bank loans—secured	4.900%	2026	315,000	4.900%	2026	407,500	4.900%	2026	357,500	4.900%	2026	332,500
Other borrowing—secured (b)	6.000%	2019	47,761	4.500%~6.000%	2019~2021	59,983	4.500%~5.300%	2021	22,865	4.500%~5.300%	2021	12,314
			362,761			467,483			380,365			344,814
			569,106			708,617			734,574			753,421

Analysed into:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings repayable:				
Within one year	206,345	241,134	354,209	408,607
Over one year	362,761	467,483	380,365	344,814
	569,106	708,617	734,574	753,421

(a) As at December 31, 2017 and 2018 and June 30, 2019, the bank loans with the amount of RMB329,032,000, RMB622,160,000 and RMB527,778,000 are secured by the mortgage of the Group's long-term assets (property, plant and equipment, investment properties, right-of-use assets) owned by the Group.

As at December 31, 2016, 2017 and 2018 and June 30, 2019, the mortgaged and guaranteed bank loans with the amount of RMB350,000,000, RMB457,500,000, RMB407,500,000 and RMB485,621,000 were secured by the mortgage of the Group's long-term assets owned by the Group and were guaranteed by the Company's certain directors and related parties, respectively.

As at December 31, 2016, 2017 and 2018 and June 30, 2019, the mortgaged buildings, land and equipment have a net carrying amount of approximately RMB37,170,000, RMB1,098,339,000, RMB1,464,969,000 and RMB1,467,356,000, respectively; the mortgaged right-of-use assets have a net carrying amount of approximately nil, RMB85,261,000, RMB83,456,000 and RMB82,554,000, respectively; the mortgaged investment properties have a net carrying amount of approximately nil, RMB45,761,000, RMB44,428,000 and RMB44,207,000, respectively.

As at December 31, 2016, 2017 and 2018 and June 30, 2019, the Company's certain directors and related parties have guaranteed certain of the Group's bank loans up to RMB99,484,000, RMB193,835,000, RMB124,108,000 and RMB165,549,000, respectively.

As at December 31, 2016, 2017 and 2018, the pledged and guaranteed bank loans with the amounts of RMB12,206,000, RMB22,942,000, RMB1,541,000 have been guaranteed by the Company's certain directors, respectively.

(b) As at December 31, 2016, 2017 and 2018, as at June 30, 2019, the others borrowings with the amounts of RMB104,238,000, RMB113,330,000, RMB60,210,000 and RMB33,504,000, are secured by the mortgage of the Group's long-term assets (property, plant and equipment) owned by the Group amounted to approximately RMB82,219,000, RMB86,697,000, RMB61,473,000 and RMB41,325,000, and are guaranteed by the Company's certain directors and related parties, respectively.

32. TRADE PAYABLES

Trade payables are non-interest-bearing and normally settled on terms of one to three months.

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

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	59,464	90,757	106,041	119,700
Over 1 year	1,858	883	2,179	2,356
	61,322	91,640	108,220	122,056

Included in the trade payables are amounts due to a related party of RMB132,000, RMB41,000, nil and RMB852,000 as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, which are repayable within 30 days, which represents credit terms similar to those offered by the related party to their major customers.

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	27,327	40,371	57,567	62,464
Over 1 year	1,034	543	1,694	1,726
	28,361	40,914	59,261	64,190

Included in the trade payables are amounts due to a related party of RMB132,000, RMB41,000, nil and RMB852,000 as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, which are repayable within 30 days, which represents credit terms similar to those offered by the related party to their major customers.

33. OTHER PAYABLES AND ACCRUALS

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Staff payroll and welfare payables	107,552	136,992	183,498	183,984
Other tax payable	5,345	12,876	17,728	33,566
Payables for acquisition of plant and equipment	61,532	71,343	172,429	122,144
Accrued expenses	17,301	20,022	25,105	26,892
Dividend payable	–	–	–	72,192
Others	5,449	6,434	5,195	13,112
	197,179	247,667	403,955	451,890

Included in the other payables and accruals are amounts due to a related party of RMB4,160,000 as at December 31, 2016.

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Staff payroll and welfare payables	82,007	97,842	128,457	121,296
Other tax payable	3,824	4,604	5,323	27,592
Payables for acquisition of plant and equipment	25,557	28,179	15,179	21,499
Accrued expenses	5,615	7,174	9,005	6,187
Amount due to subsidiaries	66,676	125,313	77,421	35,093
Dividend payable	–	–	–	72,192
Others	4,527	2,331	3,520	7,560
	188,206	265,443	238,905	291,419

Included in the other payables and accruals are amounts due to a related party of RMB4,160,000 as at December 31, 2016.

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

34. CONTRACT LIABILITIES

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term advances of delivery of services	83,463	106,939	187,156	194,784

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term advances of delivery of services	14,353	27,112	55,363	61,900

35. LEASE LIABILITIES

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Lease liabilities	22,396	44,926	60,336	57,892
Non-current				
Lease liabilities	98,265	200,439	145,166	124,395
	120,661	245,365	205,502	182,287

Movements of the lease liabilities:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period	16,750	120,661	245,365	205,502
Additions	75,971	154,123	–	1,859
Acquisition of subsidiaries (note 40)	53,242	4,141	–	5,483
Interest expense	4,424	8,721	11,142	4,038
Payments	(27,885)	(47,486)	(53,496)	(37,782)
Exchange realignment	(1,841)	5,205	2,491	3,187
Ending balance	120,661	245,365	205,502	182,287

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

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	22,396	44,926	60,336	57,892
In the second year	23,167	57,268	52,752	48,103
In the third year	22,183	51,964	48,081	49,917
After three years	52,915	91,207	44,333	26,375
	120,661	245,365	205,502	182,287

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Lease liabilities	3,669	6,170	6,628	7,183
Non-current				
Lease liabilities	27,097	20,927	14,299	10,536
	30,766	27,097	20,927	17,719

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

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	3,669	6,170	6,628	7,183
In the second year	6,170	6,628	7,628	7,831
In the third year	6,628	7,628	6,671	2,705
After three years	14,299	6,671	–	–
	30,766	27,097	20,927	17,719

36. DEFERRED INCOME

Group

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	14,022	63,896	100,989	96,447

Movements of government grants of the Group during the Relevant Periods are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	14,553	14,022	63,896	100,989
Government grants received	–	1,900	41,523	–
Acquisition of subsidiaries (note 40)	2,327	50,000	–	–
Credited to profit or loss	(2,746)	(2,137)	(4,419)	(4,546)
Exchange realignment	(112)	111	(11)	4
At the end of the year/period	14,022	63,896	100,989	96,447

Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants related to property, plant and equipment	673	–	11,174	10,079

Movements of government grants of the Company during the Relevant Periods are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1,346	673	–	11,174
Government grants received	–	–	11,523	–
Credited to profit or loss	(673)	(673)	(349)	(1,095)
At the end of the year/period	673	–	11,174	10,079

The Group received government grants for capital expenditure incurred for the acquisition of plant and equipment. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

37. SHARE CAPITAL

Group and Company

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Issued and fully paid:	590,664	590,664	590,664	656,294

A summary of movements in the Company's share capital is as follows:

	Number of Shares in issue	Share capital
		RMB'000
At January 1, 2016	130,975,229	130,975
Transferred from retained profits, statutory reserve and share premium (i)	288,112,460	288,113
Issuance of shares	171,575,886	171,576
At December 31, 2016 and January 1, 2017	590,663,575	590,664
At December 31, 2017 and January 1, 2018	590,663,575	590,664
At December 31, 2018 and January 1, 2019	590,663,575	590,664
Issuance of A shares upon listing on the Shenzhen Stock Exchange	65,630,000	65,630
At June 30, 2019	656,293,575	656,294

(i) Pursuant to the resolution of shareholders, the Company was converted into a joint stock limited liability company under the laws of the People's Republic of China (the "PRC") on October 27, 2016. The audited net assets of the Company were RMB938,501,000, among which RMB500,000,000 had been converted to 500,000,000 shares of RMB1.0 per value each. The remaining amount of RMB438,501,000 was converted to share premium.

38. SHARE-BASED COMPENSATION

Grant of fully vested Pharmaron Holdings Limited's ordinary shares to employees of the Company

Pharmaron Holdings Limited ordinary issued 215,960 fully vested ordinary shares to certain employees of the Company in recognition of their past services to the Company in December 2016. As the Company was owned by Pharmaron Holdings Limited, the Group recognised a share-based compensation expense of RMB22,007,000 during the year ended December 31, 2016 on the date of issuance of these shares.

39. RESERVES

(a) Group

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

(i) Statutory reserve

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

(ii) Capital reserve

The capital reserve of the Group represents the reserve arisen pursuant to the reorganization of subsidiaries.

(iii) Exchange fluctuation reserve

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

(b) Company

	Share capital	Share premium	Share award reserve	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2016	130,975	272	39,205	8,009	21,818	9,363	209,642
Profit for the year	–	–	–	–	–	133,262	133,262
Total comprehensive income for the year	–	–	–	–	–	133,262	133,262
Transferred from retained profits	–	–	–	–	10,587	(10,587)	–
Capital injection from shareholders	171,576	1,229,542	–	–	–	–	1,401,118
Statutory reserve, retained earnings and other reserve transferred to share capital and share premium	288,113	(182,329)	(39,205)	(8,009)	(21,818)	(36,752)	–
Equity-settled share-based compensation	–	–	22,007	–	–	–	22,007
As at December 31, 2016	590,664	1,047,485	22,007	–	10,587	95,286	1,766,029

	Share capital	Share premium	Share award reserve	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2017	590,664	1,047,485	22,007	–	10,587	95,286	1,766,029
Profit for the year	–	–	–	–	–	274,465	274,465
Total comprehensive income for the year	–	–	–	–	–	274,465	274,465
Transferred from retained profits	–	–	–	–	27,447	(27,447)	–
As at December 31, 2017	590,664	1,047,485	22,007	–	38,034	342,304	2,040,494

	Share capital	Share premium	Share award reserve	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2018	590,664	1,047,485	22,007	–	38,034	342,304	2,040,494
Profit for the year	–	–	–	–	–	321,171	321,171
Total comprehensive income for the year	–	–	–	–	–	321,171	321,171
Transferred from retained profits	–	–	–	–	32,117	(32,117)	–
As at December 31, 2018	590,664	1,047,485	22,007	–	70,151	631,358	2,361,665

	Share capital	Share premium	Share award reserve	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	590,664	1,047,485	22,007	–	70,151	631,358	2,361,665
Profit for the period	–	–	–	–	–	137,135	137,135
Total comprehensive income for the period	–	–	–	–	–	137,135	137,135
Issuance of A Shares upon listing on the Shenzhen Stock Exchange	65,630	367,224	–	–	–	–	432,854
Dividends declared by the Company	–	–	–	–	–	(72,192)	(72,192)
As at June 30, 2019	656,294	1,414,709	22,007	–	70,151	696,301	2,859,462

40. BUSINESS COMBINATIONS

Year ended December 31, 2016

(a) In December 2015, the Company entered into a share purchase agreement with an independent third party, QBS Holdings, LLC to acquire 100% equity interests of Pharmaron UK Limited (formerly known as Quotient Bioresearch Group Limited) for an aggregate purchase price of GBP10,418,000 (equivalent to RMB98,812,000) in cash. The acquisition was consummated in February 2016.

The fair values of the identifiable assets and liabilities of Quotient Bioresearch Group Limited as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	68,912
Right-of-use assets	15	54,067
Trade receivables		20,293
Contract assets		4,751
Prepayments, other receivables and other assets		16,357
Inventories		19,294
Cash and cash equivalents		12,950
Trade payables		(11,199)
Accruals and other payables		(16,823)
Contract liabilities		(14,094)
Deferred income	36	(2,327)
Lease liabilities		(53,242)
Total identifiable net assets at fair value		98,939
Gain on bargain purchase of a subsidiary		(127)
Satisfied by cash		98,812

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(98,812)
Cash and cash equivalents acquired	12,950
Less: those included in other non-current assets	(5,131)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(80,731)

Since the acquisition, Quotient Bioresearch Group Limited contributed RMB149,107,000 to the Group's revenue and caused a loss of RMB7,491,000 to the consolidated profit of the Group for the year ended December 31, 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB1,643,956,000 and RMB165,911,000, respectively.

Year ended December 31, 2017

(b) In January 2017, the Company, through its wholly-owned subsidiary, Pharmaron (Hong Kong) International Limited, entered into a share purchase agreement with an independent third party, AMS Sciences Limited, to acquire 100% equity interests of Pharmaron ABS, Inc. (formerly known as Xceleron, Inc.) for an aggregate purchase price of USD5,035,000 (equivalent to RMB34,861,000) in cash.

The fair values of the identifiable assets and liabilities of Pharmaron ABS, Inc. as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	12,494
Right-of-use assets	15	4,034
Other intangible assets	18	604
Other non-current assets		979
Trade receivables		1,269
Contract assets		19
Prepayments, other receivables and other assets		941
Cash and cash equivalents		3,464
Trade payable		(5,480)
Accruals and other payables		(905)
Contract liabilities		(4,333)
Deferred tax liabilities	21	(1,684)
Lease liabilities		(4,141)
Total identifiable net assets at fair value		7,261
Goodwill on acquisition	17	27,600
Satisfied by cash		34,861

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(34,861)
Cash and cash equivalents acquired	3,464
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(31,397)

Since the acquisition, Pharmaron ABS, Inc. contributed RMB15,355,000 to the Group's revenue and caused a loss of RMB5,574,000 to the consolidated profit of the Group for the year ended December 31, 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB2,294,888,000 and RMB217,788,000, respectively.

(c) In February 2017, the Company, through its wholly-owned subsidiary, Pharmaron (Hong Kong) International Limited, entered into a share purchase agreement with an independent third party, Shin Nippon Biomedical Laboratories, Ltd. to acquire 80% equity interests of Pharmaron CPC, Inc. (formerly known as SNBL Clinical Pharmacology Center, Inc.) for an aggregate purchase price of USD25,458,000 (equivalent to RMB175,970,000) in cash.

The Group has elected to measure the non-controlling interest in Pharmaron CPC, Inc. at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of Pharmaron CPC, Inc. as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	83,819
Other intangible assets	18	1,624
Other non-current assets		109
Trade receivables		13,136
Contract assets		4,346
Prepayments, other receivables and other assets		2,768
Cash and cash equivalents		1,658
Trade payables		(7,286)
Accruals and other payables		(7,290)
Contract liabilities		(4,271)
Deferred tax liabilities	21	(2,117)
Total identifiable net assets at fair value		86,496
Non-controlling interests		(17,299)
Goodwill on acquisition	17	106,773
Satisfied by cash		175,970

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(175,970)
Cash and cash equivalents acquired	1,658
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(174,312)

Since the acquisition, Pharmaron CPC, Inc. contributed RMB32,882,000 to the Group's revenue and caused a loss of RMB19,166,000 to the consolidated profit of the Group for the year ended December 31, 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB2,314,103,000 and RMB211,555,000, respectively.

(d) In May 2017, the Company, through its wholly-owned subsidiary, Pharmaron Ningbo Co., Ltd. entered into a share purchase agreement with two related parties, Beijing Kangtaibo Technology Development Co., Ltd. and Hangzhou Hongna Investment Co., Ltd., to acquire 100% equity interests of Pharmaron (Ningbo) Technology Development Co., Ltd. for an aggregate purchase price of RMB150,000,000 in cash.

The fair values of the identifiable assets and liabilities of Pharmaron (Ningbo) Technology Development Co., Ltd. as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	169,527
Right-of-use assets	15	67,577
Other intangible assets	18	5
Deferred tax assets	21	1,876
Prepayments, other receivables and other assets		5,627
Cash and cash equivalents		10,105
Interest-bearing bank and other borrowings		(50,000)
Accruals and other payables		(3,231)
Deferred income	36	(50,000)
Deferred tax liabilities	21	(8,028)
Total identifiable net assets at fair value		143,458
Goodwill on acquisition	17	6,542
Satisfied by cash		150,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(150,000)
Cash and cash equivalents acquired	10,105
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(139,895)

Since the acquisition, Pharmaron (Ningbo) Technology Development Co., Ltd. contributed nil to the Group's revenue and caused a loss of RMB2,755,000 to the consolidated profit of the Group for the year ended December 31, 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB2,294,118,000 and RMB217,069,000, respectively.

The Six months ended June 30, 2019

(e) In July 2018, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB30,000,000 in exchange for approximately 23.08% of its equity interest. The Group was able to exercise significant influence over Nanjing Sirui because one of the three directors of Nanjing Sirui was appointed by the Group as at December 31, 2018.

In March 2019, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB45,000,000 in exchange for approximately 19.78% of its equity interest. The Group was still able to exercise significant influence over Nanjing Sirui.

In May 2019, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB75,000,000 in exchange for approximately 12.70% of its equity interest. Therefore, Nanjing Sirui has become a subsidiary and is no longer an associate of the Group.

The fair values of the identifiable assets and liabilities of Nanjing Sirui as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	25,148
Right-of-use assets	15	5,800
Other intangible assets	18	17,460
Investment in an associate		1,944
Financial assets at fair value through profit or loss		112,000
Other non-current assets		626
Trade receivables		3,009
Contract assets		8,559
Prepayments, other receivables and other assets		6,910
Cash and cash equivalents		15,503
Trade payables		(1,688)
Contract liabilities		(14,701)
Accruals and other payables		(4,162)
Lease liabilities		(5,483)
Deferred tax liabilities	21	(4,298)
Total identifiable net assets at fair value		166,627
Non-controlling interests		(74,049)
Gains on fair value re-measurement of existing equity in business combination not under common control		(10,363)
Transferred from investment in an associate		(68,387)
Goodwill on acquisition	17	61,172
Satisfied by cash		75,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(75,000)
Cash and cash equivalents acquired	15,503
Net outflow of cash and cash equivalents included in cash flows used in investment activities	(59,497)

Since the acquisition, Nanjing Sirui contributed RMB1,837,000 to the Group's revenue and caused a loss of RMB3,286,000 to the consolidated profit of the Group for the six months ended June 30, 2019.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the year would have been RMB1,647,129,000 and RMB138,513,000, respectively.

41. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group entered into lease arrangements with a total capital value at the inception of the leases of RMB77,772,000, RMB154,123,000, nil and RMB2,828,000 as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities
	RMB'000	RMB'000
At January 1, 2016	233,158	16,750
Changes from financing cash flows	402,782	(27,885)
Addition	–	75,971
Acquisition of subsidiaries (note 40)	–	53,242
Interest expense	16,953	4,424
Foreign exchange movements	15,583	(1,841)
At December 31, 2016	668,476	120,661

	Interest-bearing bank and other borrowings	Lease liabilities
	RMB'000	RMB'000
At January 1, 2017	668,476	120,661
Changes from financing cash flows	579,562	(49,248)
Addition	–	155,885
Acquisition of subsidiaries (note 40)	50,000	4,141
Interest expense	63,193	8,721
Foreign exchange movements	(4,569)	5,205
At December 31, 2017	1,356,662	245,365

	Interest-bearing bank and other borrowings	Lease liabilities
	RMB'000	RMB'000
At January 1, 2018	1,356,662	245,365
Addition	–	2,311
Changes from financing cash flows	(13,239)	(55,807)
Interest expense	79,951	11,142
Foreign exchange movements	10,593	2,491
At December 31, 2018	1,433,967	205,502

	Interest-bearing bank and other borrowings	Lease liabilities
	RMB'000	RMB'000
	(unaudited)	(unaudited)
At January 1, 2018	1,356,662	245,365
Addition	–	1,195
Changes from financing cash flows	116,827	(29,468)
Interest expense	38,215	5,806
Foreign exchange movements	2,272	(687)
At June 30, 2018	1,513,976	222,211

	Interest-bearing bank and other borrowings	Lease liabilities
	RMB'000	RMB'000
At January 1, 2019	1,433,967	205,502
Changes from financing cash flows	(127,574)	(39,374)
Addition	–	3,451
Acquisition of subsidiaries (note 40)	–	5,483
Interest expense	38,361	4,038
Foreign exchange movements	(14,240)	3,187
At June 30, 2019	1,330,514	182,287

42. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

43. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank loans and other borrowings, which are secured by the assets of the Group, are included in note 31 to the Historical Financial Information.

44. COMMITMENTS

(a) Operating lease commitments

As lessor

The Group leases out its completed investment properties under operating lease arrangements on terms of five years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	11,700	11,559	8,893	8,711
In the second year	11,204	8,999	8,676	8,711
In the third year	8,722	8,779	8,676	5,082
After three years	17,728	9,511	723	–
	49,354	38,848	26,968	22,504

(b) Capital commitments

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for purchase of items of property, plant and equipment	26,027	103,151	31,577	329,177

45. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties:

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Entities controlled by the close family members of the directors						
Purchase of raw materials	(i)	1,719	1,955	2,681	1,273	2,106
Purchase of service	(ii)	7,160	1,180	–	–	–
Rental expenses	(ii)	84,819	10,385	–	–	–
Property management expenses and utilities	(ii)	45,280	9,198	–	–	–
Purchase of property and equipment	(ii)	–	968,390	–	–	–
		138,978	991,108	2,681	1,273	2,106

Notes:

(i) The purchases from related parties were made according to the published prices and conditions offered by the associates to their major customers.

(ii) During the Relevant Periods, the Group had leased properties in the industrial park of No. 6 Taihe Road, Beijing Economic and Technological Development Zone, to engage in drug research and development services. The park's property management and utility services were also provided by a related party. In August 2017, the Group acquired the property at No. 6 Taihe Road, Beijing Economic and Technological Development Zone from a related party and the above related party transaction was terminated.

Also, the Group applied practical expedients under IFRS 16, as using hindsight in determining the lease classification, the Group considered the actual outcome of lease termination and purchase options in 2017.

(b) Other transactions with related parties

The Company's certain directors and related parties have guaranteed certain bank loans made to the Group of up to RMB565,928,000, RMB787,607,000, RMB593,359,000 and RMB684,674,000 as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, as further detailed in note 31 to the financial statements.

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

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other benefits	7,800	8,716	9,741	4,660	5,324
Performance-related bonus	3,448	4,100	5,350	–	–
	11,248	12,816	15,091	4,660	5,324

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

(d) Outstanding balances with related parties

Details of the Group's trade balances with its related parties as at the end of each of the Relevant Periods are disclosed in notes 22, 27, 32 and 33 to the financial statements.

46. FINANCIAL INSTRUMENTS BY CATEGORY

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

December 31, 2016

Financial assets	Financial assets at amortised cost	Financial assets at fair value through profit or loss – Equity investments at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through profit or loss	–	3,469	3,469
Trade receivables	352,048	–	352,048
Other non-current assets	20,999	–	20,999
Financial assets included in prepayments, other receivables and other assets	59,814	–	59,814
Pledged deposits	8,266	–	8,266
Cash and cash equivalents	461,944	–	461,944
	903,071	3,469	906,540

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	61,322
Financial liabilities included in other payables and accruals	84,282
Interest-bearing bank and other borrowings	668,476
Lease liabilities	120,661
	934,741

December 31, 2017

Financial assets	Financial assets at amortised cost	Financial assets at fair value through profit or loss – Equity investments at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through profit or loss	–	3,267	3,267
Trade receivables	494,897	–	494,897
Other non-current assets	34,844	–	34,844
Financial assets included in prepayments, other receivables and other assets	12,888	–	12,888
Pledged deposits	11,898	–	11,898
Cash and cash equivalents	293,601	–	293,601
	848,128	3,267	851,395

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	91,640
Financial liabilities included in other payables and accruals	97,799
Interest-bearing bank and other borrowings	1,356,662
Lease liabilities	245,365
	1,791,466

December 31, 2018

Financial assets	Financial assets at amortised cost	Financial assets at fair value through profit or loss		Total
		Equity investments at fair value through profit or loss	Held for trading	
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at fair value through profit or loss	–	24,267	–	24,267
Trade receivables	603,993	–	–	603,993
Derivative financial instruments	–	–	413	413
Other non-current assets	33,475	–	–	33,475
Financial assets included in prepayments, other receivables and other assets	29,040	–	–	29,040
Pledged deposits	13,476	–	–	13,476
Cash and cash equivalents	307,235	–	–	307,235
	987,219	24,267	413	1,011,899

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	108,220
Financial liabilities included in other payables and accruals	202,729
Interest-bearing bank and other borrowings	1,433,967
Lease liabilities	205,502
	1,950,418

June 30, 2019

Financial assets	Financial assets at amortised cost	Financial assets at fair value through profit or loss: Equity investments at fair value through profit or loss	Financial assets at fair value through profit or loss: Held for trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at fair value through profit or loss	–	34,126	–	34,126
Financial assets at fair value through profit or loss	–	–	125,000	125,000
Trade receivables	654,058	–	–	654,058
Other non-current assets	23,396	–	–	23,396
Financial assets included in prepayments, other receivables and other assets	74,211	–	–	74,211
Pledged deposits	8,218	–	–	8,218
Cash and cash equivalents	331,324	–	–	331,324
	1,091,207	34,126	125,000	1,250,333

Financial liabilities	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade payables	–	122,056	122,056
Derivative financial instruments	3,130	–	3,130
Financial liabilities included in other payables and accruals	–	162,148	162,148
Interest-bearing bank and other borrowings	–	1,330,514	1,330,514
Lease liabilities	–	182,287	182,287
	3,130	1,797,005	1,800,135

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods was assessed to be insignificant.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

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

The fair values of the financial assets and liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The following methods and assumptions were used to estimate the fair values:

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

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

The Group enters into derivative financial instruments including forward currency contracts and collars, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market unobservable inputs.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2017 and 2018, and June 30, 2019:

	Valuation technique	Significant unobservable inputs (level 3)	Range	Sensitivity of fair value to the input
Equity investments at fair value through profit or loss.	Valuation multiples	Average EV/R&D multiple of peers	3 – 9.3	5% increase/ decrease would result in increase/decrease in fair value by 5%
Equity investments at fair value through profit or loss.	Backsolve from most recent transaction price	Discount for lack of marketability	70% to 80%	5% increase/ decrease would result in increase/decrease in fair value by 5%
Derivative financial instruments-collars. . .	Option pricing model	Expected volatility	–	5% increase/ decrease would result in increase/ decrease in fair value by 1.7%/ 1.8%

Fair value hierarchy

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

Assets measured at fair value

	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	RMB'000	RMB'000	RMB'000
As at December 31, 2016			
Equity investments at fair value through profit or loss	–	3,469	3,469
As at December 31, 2017			
Equity investments at fair value through profit or loss	–	3,267	3,267
As at December 31, 2018			
Equity investments at fair value through profit or loss	–	24,267	24,267
Derivative financial instruments-foreign currency forward contracts	413	–	413
	413	24,267	24,680
As at June 30, 2019			
Equity investments at fair value through profit or loss	–	34,126	34,126
Financial assets at fair value through profit or loss	125,000	–	125,000
	125,000	34,126	159,126

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

Equity investments at fair value through profit or loss—unlisted

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	–	3,469	3,267	24,267
Purchase	3,270	–	19,450	8,554
Fair value gain	–	–	246	1,054
Exchange realignment	199	(202)	1,304	251
	3,469	3,267	24,267	34,126

Liabilities measured at fair value

	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	RMB'000	RMB'000	RMB'000
As at June 30, 2019			
Derivative financial instruments-foreign currency forward contracts	615	–	615
Derivative financial instruments-collars	–	2,515	2,515
	615	2,515	3,130

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives comprise lease liabilities, interest-bearing bank and other borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

The Group's accounting policies in relation to derivatives are set out in note 2.3 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings with a floating interest rate.

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

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax	(Decrease)/ increase in equity
		RMB'000	RMB'000
Year ended December 31, 2016	100/(100)	(4,446)/4,446	(3,779)/3,779
Year ended December 31, 2017	100/(100)	(10,435)/10,435	(9,008)/9,008
Year ended December 31, 2018	100/(100)	(10,363)/10,363	(8,503)/8,503
Six months ended June 30, 2019	100/(100)	(4,798)/4,798	(3,963)/3,963

Foreign currency risk

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

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

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of the Group's profit before tax and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the Relevant Periods for a 5% change in foreign currency rates.

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	RMB'000	RMB'000
Year ended December 31, 2016		
if RMB weakens against USD	22,002	18,075
if RMB strengthens against USD	(22,002)	(18,075)

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	RMB'000	RMB'000
Year ended December 31, 2017		
if RMB weakens against USD	34,096	27,773
if RMB strengthens against USD	(34,096)	(27,773)

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	RMB'000	RMB'000
Year ended December 31, 2018		
if RMB weakens against USD	41,647	35,325
if RMB strengthens against USD	(41,647)	(35,325)

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	RMB'000	RMB'000
Six months ended June 30, 2019		
if RMB weakens against USD	47,502	39,866
if RMB strengthens against USD	(47,502)	(39,866)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at the end of each of the Relevant Periods

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

	12-month ECLs	Lifetime ECLs			
December 31, 2016	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	37,389	37,389
Trade receivables*	–	–	–	362,568	362,568
Financial assets included in prepayments, other receivables and other assets—					
Not yet past due	59,814	–	–	–	59,814
Financial assets included in other non-current assets—					
Not yet past due	20,999	–	–	–	20,999
Pledged deposits—					
Not yet past due	8,266	–	–	–	8,266
Cash and cash equivalents—					
Not yet past due	461,944	–	–	–	461,944
	551,023	–	–	399,957	950,980

December 31, 2017	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	45,147	45,147
Trade receivables*	–	–	–	499,669	499,669
Financial assets included in prepayments, other receivables and other assets —Not yet past due	12,888	–	–	–	12,888
Financial assets included in other non-current assets— Not yet past due	34,844	–	–	–	34,844
Pledged deposits —Not yet past due	11,898	–	–	–	11,898
Cash and cash equivalents —Not yet past due	293,601	–	–	–	293,601
	353,231	–	–	544,816	898,047

December 31, 2018	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	52,470	52,470
Trade receivables*	–	–	–	617,751	617,751
Financial assets included in prepayments, other receivables and other assets —Not yet past due	29,040	–	–	–	29,040
Financial assets included in other non-current assets— Not yet past due	33,475	–	–	–	33,475
Pledged deposits —Not yet past due	13,476	–	–	–	13,476
Cash and cash equivalents —Not yet past due	307,235	–	–	–	307,235
	383,226	–	–	670,221	1,053,447

June 30, 2019	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	117,064	117,064
Trade receivables*	–	–	–	666,912	666,912
Financial assets included in prepayments, other receivables and other assets —Not yet past due	74,211	–	–	–	74,211
Financial assets included in other non-current assets— Not yet past due	23,396	–	–	–	23,396
Pledged deposits —Not yet past due	8,218	–	–	–	8,218
Cash and cash equivalents —Not yet past due	331,324	–	–	–	331,324
	437,149	–	–	783,976	1,221,125

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 25 and 26 to the financial statements, respectively.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

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

December 31, 2016	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	335,129	300,116	262,790	898,035
Trade payables	61,322	–	–	61,322
Financial liabilities included in other payables and accruals	84,282	–	–	84,282
Lease liabilities	27,315	94,776	34,201	156,292
	508,048	394,892	296,991	1,199,931

December 31, 2017	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	535,805	866,295	399,754	1,801,854
Trade payables	91,640	–	–	91,640
Financial liabilities included in other payables and accruals	97,799	–	–	97,799
Lease liabilities	56,026	201,399	32,421	289,846
	781,270	1,067,694	432,175	2,281,139

December 31, 2018	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	607,270	934,937	283,614	1,825,821
Trade payables	108,220	–	–	108,220
Financial liabilities included in other payables and accruals	202,729	–	–	202,729
Lease liabilities	68,756	131,755	29,274	229,785
	986,975	1,066,692	312,888	2,366,555

June 30, 2019	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	645,406	569,826	435,637	1,650,869
Trade payables	122,056	–	–	122,056
Financial liabilities included in other payables and accruals	162,148	–	–	162,148
Lease liabilities	63,903	105,862	28,365	198,130
	993,513	675,688	464,002	2,133,203

Capital management

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

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

The Group monitors capital using a gearing ratio, which is the net debt divided by total assets. Net Debt includes increase-bearing bank and other borrowings and lease liabilities less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	668,476	1,356,662	1,433,967	1,330,514
Lease liabilities	120,661	245,365	205,502	182,287
Less: Cash and cash equivalents	(461,944)	(293,601)	(307,235)	(331,324)
Net debt	327,193	1,308,426	1,332,234	1,181,477
Total assets	2,912,771	4,143,664	4,802,079	5,347,325
Gearing ratio	11%	32%	28%	22%

49. EVENTS AFTER THE RELEVANT PERIODS

On August 15, 2019, the shareholders' meeting of the Company passed a resolution to issue up to 5,651,359 A Shares of the Company under the 2019 Pharmaron A Share Incentive Scheme consists of Restricted A shares and share option. Pursuant to the A share Incentive Scheme, we plan to initially grant, 4,521,087 restricted shares to eligible employees at the subscription price of RMB17.85 per A Share (the "Initial Grant") and the remaining 1,130,272 A shares will be reserved for future option grants. As of November 5, 2019, 4,077,387 number of A shares were subscribed by eligible employees and RMB72,781,358 consideration were received by the Company.

The Initial Grant of these granted restricted shares has a contractual term of no more than four years and vest over a three year period, with 40%, 30% and 30% of the awards vesting on the first, second and third anniversary date of the A Shares registration date, respectively, and upon meeting certain annual performance conditions.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to June 30, 2019.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

To the board of directors of Pharmaron Beijing Co., Ltd.

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

Introduction

We have reviewed the interim condensed consolidated financial information set out on pages IA-2 to IA-26, which comprises the condensed consolidated statement of financial position of Pharmaron Beijing Co., Ltd. (the "Company") and its subsidiaries as at 30 September 2019 and the related condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the nine months period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants
Hong Kong

November 14, 2019

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Notes	Nine months ended September 30, 2019	Nine months ended September 30, 2018
		RMB'000	RMB'000
		(unaudited)	(unaudited)
REVENUE	4	2,626,487	2,035,503
Cost of sales		(1,746,857)	(1,386,022)
Gross profit		879,630	649,481
Other income and gains	5	67,185	39,646
Other expenses	5	(35,430)	(4,260)
Selling and distribution expenses		(46,374)	(34,407)
Administrative expenses		(369,875)	(295,305)
Research and development costs		(42,972)	(23,527)
Impairment losses on financial and contract assets	6	(4,741)	(2,795)
Finance costs		(62,515)	(60,010)
Share of losses of associates		(7,119)	(194)
Profit before tax		377,789	268,629
Income tax expense	7	(60,329)	(40,980)
Profit for the period		317,460	227,649
Attributable to:			
Owners of the parent		328,380	227,786
Non-controlling interests		(10,920)	(137)
		317,460	227,649
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For profit for the period	9	0.51	0.39
Diluted			
For profit for the period	9	0.51	0.39

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	317,460	227,649
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(7,857)	(742)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(7,857)	(742)
Other comprehensive loss for the period, net of tax	(7,857)	(742)
Total comprehensive income for the period	309,603	226,907
Attributable to:		
Owners of the parent	320,307	226,580
Non-controlling interests	(10,704)	327
	309,603	226,907

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2019

	Notes	September 30, 2019	December 31, 2018
		RMB'000	RMB'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,852,599	2,677,138
Right-of-use assets		478,566	498,921
Investment properties		44,105	44,428
Goodwill	11	205,165	139,917
Other intangible assets		34,196	13,900
Investments in associates	12	133,306	28,868
Equity investments at fair value through profit or loss	13	59,872	24,267
Deferred tax assets		6,585	8,446
Other non-current assets		43,954	90,087
Total non-current assets		3,858,348	3,525,972
CURRENT ASSETS			
Inventories		93,454	70,148
Contract costs		67,875	50,313
Trade receivables	14	752,397	603,993
Contract assets	15	101,991	51,078
Prepayments, other receivables and other assets	16	239,929	179,451
Financial assets at fair value through profit or loss	17	142,000	–
Derivative financial instruments	18	–	413
Pledged deposits		10,368	13,476
Cash and cash equivalents		307,822	307,235
Total current assets		1,715,836	1,276,107
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	638,414	534,968
Trade payables	20	124,020	108,220
Other payables and accruals	21	366,474	403,955
Contract liabilities		239,882	187,156
Lease liabilities		59,044	60,336
Derivative financial instruments	18	10,418	–
Tax payable		19,490	13,413
Total current liabilities		1,457,742	1,308,048
NET CURRENT ASSETS/LIABILITIES		258,094	(31,941)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,116,442	3,494,031
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	803,297	898,999
Deferred tax liabilities		36,573	22,306
Deferred income		94,175	100,989
Lease liabilities		111,512	145,166
Total non-current liabilities		1,045,557	1,167,460
NET ASSETS		3,070,885	2,326,571
EQUITY			
Share capital	22	656,294	590,664
Reserves		2,338,255	1,722,916
Equity attributable to owners of the parent		2,994,549	2,313,580
Non-controlling interests		76,336	12,991
Total equity		3,070,885	2,326,571

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Attributable to owners of the parent									
	Share capital	Share premium*	Share award reserve*	Capital reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 22)									
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	590,664	1,047,485	22,007	59,602	70,151	(9,423)	533,094	2,313,580	12,991	2,326,571
Profit for the period (unaudited)	–	–	–	–	–	–	328,380	328,380	(10,920)	317,460
Other comprehensive income for the period: (unaudited)										
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	(8,073)	–	(8,073)	216	(7,857)
Total comprehensive income/(loss) for the period (unaudited)	–	–	–	–	–	(8,073)	328,380	320,307	(10,704)	309,603
Issuance of A shares upon listing on Shenzhen Stock Exchange	65,630	367,224	–	–	–	–	–	432,854	–	432,854
Acquisition of a subsidiary (note 23)	–	–	–	–	–	–	–	–	74,049	74,049
Dividends declared	–	–	–	–	–	–	(72,192)	(72,192)	–	(72,192)
As at September 30, 2019 (unaudited)	656,294	1,414,709	22,007	59,602	70,151	(17,496)	789,282	2,994,549	76,336	3,070,885

* These reserve accounts comprise the consolidated reserves of RMB2,338,255,000 in the condensed consolidated statements of financial position as at September 30, 2019.

	Attributable to owners of the parent									
	Share capital	Share premium*	Share award reserve*	Capital reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 22)									
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2018	590,664	1,047,485	22,007	59,602	38,034	(1,475)	229,169	1,985,486	12,618	1,998,104
Profit for the period (unaudited)	–	–	–	–	–	–	227,786	227,786	(137)	227,649
Other comprehensive income for the period: (unaudited)										
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	(1,206)	–	(1,206)	464	(742)
Total comprehensive income/(loss) for the period (unaudited)	–	–	–	–	–	(1,206)	227,786	226,580	327	226,907
As at September 30, 2018 (unaudited)	590,664	1,047,485	22,007	59,602	38,034	(2,681)	456,955	2,212,066	12,945	2,225,011

* These reserve accounts comprise the consolidated reserves of RMB1,621,402,000 in the condensed consolidated statements of financial position as at September 30, 2018.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Notes	Nine months ended September 30, 2019	Nine months ended September 30, 2018
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before tax		377,789	268,629
Adjustments for:			
– Depreciation of property, plant and equipment	6	226,701	185,065
– Depreciation of right-of-use assets	6	45,203	43,558
– Depreciation of investment properties	6	538	605
– Amortisation of other intangible assets	6	2,630	1,423
– Impairment losses on inventories, net of reversal	6	1,151	(160)
– Impairment losses on financial and contract assets, net of reversal	6	4,741	2,795
– Losses of derivative financial instruments	5	32,859	1,899
– Gains on financial assets at fair value through profit or loss	5	(1,257)	–
– Gains on fair value change of equity investment at fair value through profit or loss	5	(10,179)	(246)
– Losses on disposal of items of property, plant and equipment	5	198	333
– Finance costs		62,515	60,010
– Share of losses of associates		7,119	194
– Gains on fair value re-measurement of existing equity in business combination not under common control	5	(10,363)	–
		739,645	564,105
Increase in inventories		(24,457)	(9,689)
Increase in contract costs		(17,562)	(24,028)
Increase in trade receivables		(150,172)	(65,080)
Increase in prepayments, other receivables and other assets		(21,789)	(39,683)
Increase in contract assets		(43,820)	(53,332)
Decrease in pledged deposits		3,108	3,918
Decrease in other non-current assets		1,970	1,538
Increase in trade payables		14,112	23,972
Increase in accruals and other payables		43,015	51,254
Increase/(decrease) in deferred income		(6,819)	28,878
Increase in contract liabilities		38,025	43,997
Cash flows generated from operations		575,256	525,850
Income tax paid		(42,490)	(39,355)
Net cash flows generated from operating activities		532,766	486,495
Cash flows from investing activities			
Purchases of property, plant and equipment		(510,508)	(424,526)
Proceeds from disposal of property, plant and equipment		183	1,852
Proceeds from disposal of financial assets at fair value through profit or loss		263,257	–
Additions of other intangible assets		(5,231)	(2,520)
Purchase of right-of-use assets – land use rights		(12,947)	(51,500)
Proceeds from disposal of right-of-use assets		2,000	19,754
Purchase of equity investments at fair value through profit or loss		(24,225)	(19,450)
Settlement of derivative financial instrument		(22,029)	(2,547)
Purchase of financial assets at fair value through profit or loss		(292,000)	–
Acquisition of subsidiaries	23	(59,497)	–
Capital injection in associates		(134,000)	(30,000)
Net cash flows used in investing activities		(794,997)	(508,937)

	Notes	Nine months ended September 30, 2019	Nine months ended September 30, 2018
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Cash flows from financing activities			
Interest on bank loans and other borrowings paid		(51,281)	(56,492)
Proceeds from bank loans and other borrowings		650,704	390,814
Repayments of bank loans and other borrowings		(643,300)	(271,638)
Payments of lease liabilities		(57,740)	(42,269)
Proceeds from issuance of shares		458,486	–
Payments of issue expenses		(23,638)	–
Payment of dividends		(72,192)	–
Net cash flows generated from financing activities		261,039	20,415
Net decrease in cash and cash equivalents		(1,192)	(2,027)
Cash and cash equivalents at beginning of period		307,235	293,601
Effect of foreign exchange rate changes, net		1,779	5,505
Cash and cash equivalents at end of period		307,822	297,079

NOTES TO THE INTERIM CONDENSED CONSOLIDATION FINANCIAL INFORMATION

1. GENERAL INFORMATION

Pharmaron Beijing Co., Ltd. was incorporated and registered in the People's Republic of China ("PRC") on 1 July 2004. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 300759. SZ) on January 28, 2019. The address of the registered office is 8th Floor, 1 Flat, No. 6 Taihe Road, Beijing Economic and Technological Development Zone.

The principal activity of the Company and its subsidiaries (together, the "Group") is to provide a portfolio of research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs, cell therapies and gene therapies as well as providing testing services for medical devices and clinic research.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the nine months ended 30 September 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the historical financial information, and should be read in conjunction with the Group's historical financial information for the three years ended December 31, 2018 and the six months ended June 30, 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments at fair value through profit or loss, derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. The interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation used in the condensed consolidation financial statements for the nine months ended September 30, 2019 are the same as those followed in the preparation of the Group's historical financial information for the three years ended December 31, 2018 and the six months ended June 30, 2019 included in the accountant's report as set out in Appendix I to the Prospectus.

The financial information relating to the nine months ended September 30, 2018 that is included in the interim condensed consolidated statement of financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

All International Financial Reporting Standards ("IFRSs") effective after the accounting period commencing from January 1, 2018 and January 1, 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018.

3. OPERATING SEGMENT INFORMATION

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

- Laboratory services segment includes laboratory chemistry, Drug Metabolism and Pharmacokinetics/Absorption, Distribution, Metabolism and Excretion, biology, safety assessment and discovery biologics services

- Clinical development services segment includes clinical research, site management organization, regulatory bioanalysis and radiolabelled sciences services

- Chemistry, manufactory and control services segment includes process development and manufacturing, material science/pre-formulation, formulation development and manufacturing and analytical development and commercial manufacturing services

- The "others" segment

Segment revenue and results

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

	Nine months ended September 30, 2019 (unaudited)				
	Laboratory services	Clinical development services	Chemistry, manufactory and control services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,690,691	313,496	607,993	14,307	2,626,487
Segment results	655,944	72,631	142,251	8,804	879,630
Unallocated amount:					
Other income and gains					67,185
Other expenses					(35,430)
Selling and distribution expenses					(46,374)
Administrative expenses					(369,875)
Research and development costs					(42,972)
Impairment losses on financial and contract assets, net of reversal					(4,741)
Finance costs					(62,515)
Share of losses of associates					(7,119)
Group's profit before tax					377,789

	Nine months ended September 30, 2018 (unaudited)				
	Laboratory services	Clinical development services	Chemistry, manufactory and control services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,367,884	249,661	402,996	14,962	2,035,503
Segment results	512,440	65,258	63,836	7,947	649,481
Unallocated amount:					
Other income and gains					39,646
Other expenses					(4,260)
Selling and distribution expenses					(34,407)
Administrative expenses					(295,305)
Research and development costs					(23,527)
Impairment losses on financial and contract assets, net of reversal					(2,795)
Finance costs					(60,010)
Share of losses of associates					(194)
Group's profit before tax					268,629

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. No analysis of segment asset and liability is presented as the management does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

(a) Revenue from external customers

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
North America	1,548,180	1,261,893
Europe	619,453	465,384
Asia (except mainland China)	102,368	98,982
Mainland China	325,060	190,599
Others	31,426	18,645
	2,626,487	2,035,503

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

(b) Non-current assets

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Mainland China	3,148,571	2,915,461
North America	294,728	276,974
Europe	348,592	300,824
	3,791,891	3,493,259

The non-current asset information above is based on the locations of the assets and excludes equity investments at fair value through profit or loss and deferred tax assets.

4. REVENUE

An analysis of revenue is as follows:

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Laboratory services	1,690,691	1,367,884
Chemistry, manufactory and control services	607,993	402,996
Clinical development services	313,496	249,661
Revenue from other sources		
Others	14,307	14,962
	2,626,487	2,035,503

Timing of revenue recognition

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Over time		
—Laboratory services	1,041,540	903,249
—Chemistry, manufactory and control services	84,295	61,063
—Clinical development services	95,595	72,119
—Others	14,307	14,962
	1,235,737	1,051,393
At a point in time		
—Laboratory services	649,151	464,635
—Chemistry, manufactory and control services	523,698	341,933
—Clinical development services	217,901	177,542
	1,390,750	984,110

Unsatisfied performance obligations

The Group has different contractual arrangements with different customers under two different charge methods: FTE or FFS model.

All services under the FTE model, revenue is recognised over time at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under FTE model.

Similarly, certain services under the FFS model, revenue is recognised over time and contracts are generally within an original expected length of one year or less. Therefore, the practical expedients are also applied.

5. OTHER INCOME AND GAINS AND OTHER EXPENSES

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Interest income	1,710	268
Government grants and subsidies related to		
—Assets (i)	6,819	2,645
—Income (ii)	5,293	4,100
	13,822	7,013
Other gains		
Foreign exchange gains, net	31,333	32,057
Gains on fair value change of equity investment at fair value through profit or loss	10,179	246
Gains on financial assets at fair value through profit or loss	1,257	–
Gains on fair value re-measurement of existing equity in business combination not under common control	10,363	–
Others	231	330
	53,363	32,633
	67,185	39,646
Other expenses		
Losses on disposal of property, plant and equipment	(198)	(333)
Losses of derivative financial instruments	(32,859)	(1,899)
Others	(2,373)	(2,028)
	(35,430)	(4,260)

(i) The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognized in profit and loss over the useful lives of relevant assets.

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

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

6. PROFIT BEFORE TAX

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

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	226,701	185,065
Depreciation of right-of-use assets	45,203	43,558
Depreciation of investment properties	538	605
Amortization of other intangible assets	2,630	1,423
Staff cost (including directors' and chief executive's remuneration):		
Salaries and other benefits	866,127	682,144
Pension scheme contribution, social welfare and other welfare	265,666	218,861
Gains on fair value re-measurement of existing equity in business combination not under common control	10,363	–
Gains in fair value of on equity investment at fair value through profit or loss	10,179	246
Impairment losses on inventories, net of reversal	1,151	(160)
Impairment loss on financial and contract assets, net of reversal	4,741	2,795
Losses of derivative financial instruments	32,859	1,899

* The staff costs for the year are included in "Cost of sales", "Administrative expenses", "Selling and distribution expenses" and "Research and development costs" in the consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax	48,567	31,301
Deferred tax	11,762	9,679
	60,329	40,980

8. DIVIDENDS

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends declared by the Company	72,192	–

No dividend has been paid or declared by the Company to its ordinary shareholders for the nine months ended September 30, 2018.

On May 15, 2019, the Company's Shareholders approved the 2018 Profit Distribution Plan at annual general meeting, pursuant to which an aggregate amount of RMB72,192,000 (inclusive of tax) were subsequently paid in July 2019 to shareholders of the Company on the record date for determining the shareholders' entitlement to the 2018 Profit Distribution Plan, which amounted to a dividend of RMB1.10 (inclusive of tax) for every 10 Shares of the Company.

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during each of the periods ended September 30, 2018 and 2019.

The Group had no potentially dilutive shares in issue during the nine months ended September 30, 2018 and 2019.

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

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	328,380	227,786

	Nine months ended September 30,	
	2019	2018
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	649,001,353	590,663,575

10. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended September 30, 2019, the Group acquired assets with a cost of RMB371,141,000 (September 30, 2018: RMB455,608,000), excluding property, plant and equipment acquired through a business combination disclosed in note 23 to the interim condensed consolidated financial information, and disposed of assets with a net carrying amount of RMB615,000 (September 30, 2018: RMB2,804,000).

11. GOODWILL

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Cost	205,165	139,917
Accumulated impairment	–	–
Net carrying amount	205,165	139,917
Opening carrying amount, net of accumulated impairment	139,917	133,524
Acquisition of subsidiaries (note 23)	61,172	–
Exchange realignment	4,076	6,393
	205,165	139,917

12. INVESTMENTS IN ASSOCIATES

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Share of net assets	30,817	10,571
Goodwill on acquisition	102,489	18,297
	133,306	28,868

In July 2018, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB30,000,000 in exchange for approximately 23.08% of its equity interest. The Group was able to exercise significant influence over Nanjing Sirui because one of the three directors of Nanjing Sirui was appointed by the Group as at December 31, 2018.

In March 2019, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB45,000,000 in exchange for approximately 19.78% of its equity interest.

In May 2019, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB75,000,000 in exchange for approximately 12.70% of its equity interest. Therefore, Nanjing Sirui has become a subsidiary and is no longer an associate of the Group. Nanjing Sirui is a limited liability company incorporated under the laws of the PRC.

Particulars of the material associate as at September 30, 2019 are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Beijing LinkStart Biotechnology Co., Ltd. ("LinkStart")	Ordinary shares	PRC/Mainland China	48.00%	Scientific research and technology services

In May 2019, the Group acquired a 48.00% equity interest in LinkStart at a cash consideration of RMB120,000,000. LinkStart is a limited liability company incorporated under the laws of the PRC.

LinkStart, which is considered a material associate of the Group, is a strategic partner of the Group is and accounted for using the equity method.

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

	As at September 30, 2019
	RMB'000
	(unaudited)
Current assets	102,672
Non-current assets	679
Current liabilities	(55,422)
Net assets	47,929
Proportion of the Group's ownership	48%
Group's share of net assets of the associate	23,006
Goodwill on acquisition	95,920
Carrying amount of the investment	118,926

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

	As at September 30, 2019
	RMB'000
Share of the associates' loss for the period	(6,045)
Aggregate amount of the Group's investments in the associates	14,380

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Unlisted equity investments	59,872	24,267

The above unlisted equity investments represent investments in Zeno Pharmaceuticals, Inc. ("Zeno") and Imago Biosciences, Inc. ("Imago"). The above equity investments are at fair value through profit or loss.

14. TRADE RECEIVABLES

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables – third parties	770,932	617,751
Allowance for impairment	(18,535)	(13,758)
	752,397	603,993

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at December 31, 2018 and September 30, 2019, based on the invoice date is as follows:

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 1 year	747,733	599,331
1 year to 2 years	17,977	15,330
More than 2 years	5,222	3,090
	770,932	617,751

The movements in the loss allowance for impairment of trade receivables are as follows:

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
At beginning of year/period	13,758	4,772
Impairment losses, net	4,579	8,807
Exchange realignment	198	179
	18,535	13,758

15. CONTRACT ASSETS

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Contract assets	104,849	52,470
Allowance for impairment	(2,858)	(1,392)
	101,991	51,078

The contract assets primarily relate to the Group's right to consideration for work completed and not billed. The contract assets are transferred to trade receivables when the rights become unconditional.

The expected timing of recovery or settlement is generally within one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
At beginning of year/period	1,392	1,313
Impairment losses, net	1,460	79
Exchange realignment	6	–
	2,858	1,392

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Prepayments	5,639	3,600
Deposits and other receivables	70,394	11,104
Prepaid expenses	29,120	28,603
Tax recoverable	123,404	118,208
Others	11,372	17,936
	239,929	179,451

As at December 31, 2018 and September 30, 2019, other receivables of the Group are considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is immaterial under the 12-month expected loss method.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into a series of wealth management products with banks and other financial institutions in the PRC. The investments are principal-guaranteed by the relevant financial institutions. The expected rates of return ranged from 2.58% to 3.70% per annum for the nine months ended September 30, 2019, which were determined by reference to the returns of the underlying investment portfolio.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Current assets		
Foreign currency forward contracts	–	413
Current liabilities		
Foreign currency forward contracts and collars	10,418	–

From 2018, the Group entered into several foreign exchange forward contracts and collar contracts with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB. The foreign currency forward contracts and collars are not designated for hedge purposes and are measured at fair value through profit or loss.

For the nine months ended September 30, 2018 and 2019, losses under forward foreign exchange contracts and collars of RMB1,899,000 and RMB32,859,000 were recognized in other expenses, respectively.

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	September 30, 2019			December 31, 2018		
	Effective interest rate %	Maturity	RMB'000 (unaudited)	Effective interest rate %	Maturity	RMB'000 (audited)
Current						
Bank loans—secured (a)	3.600%~5.390%	2019~2020	462,058	3.200%~5.873%	2019	385,215
Bank loans—unsecured	4.675%~6.500%	2020	155,181	4.785%~6.500%	2019	112,408
Other borrowing—secured (b)	4.500%~5.300%	2020	21,175	6.000%	2019	37,345
			638,414			534,968
Non-current						
Bank loans—secured (a)	4.275%~5.390%	2020-2026	796,258	4.900%~5.390%	2020~2026	770,094
Bank loans—unsecured	–	–	–	4.988%~5.368%	2020	106,040
Other borrowing—secured (b)	4.500%~5.300%	2020-2021	7,039	4.500%~5.300%	2021	22,865
			803,297			898,999
			1,441,711			1,433,967

Analysed into:

	September 30, 2019	December 31, 2018
	RMB'000 (unaudited)	RMB'000 (audited)
Bank loans and other borrowings repayable:		
Within one year	638,414	534,968
In the second year	108,069	234,054
In the third to fifth years, inclusive	457,778	446,658
Beyond five years	237,450	218,287
	1,441,711	1,433,967

(a) As at December 31, 2018 and September 30, 2019, the bank loans with the amount of RMB622,160,000 and RMB569,387,000 are secured by the mortgage of the Group's long-term assets (property, plant and equipment, investment properties, right-of-use assets) owned by the Group.

As at December 31, 2018 and September 30, 2019, the mortgaged and guaranteed bank loans with the amount of RMB407,500,000 and RMB488,594,000 were secured by the mortgage of the Group's long-term assets owned by the Group and were guaranteed by the Company's certain directors and related parties, respectively.

As at December 31, 2018 and September 30, 2019, the mortgaged buildings, land and equipment have a net carrying amount of approximately RMB1,464,969,000 and RMB1,444,434,000, respectively; the mortgaged right-of-use assets have a net carrying amount of RMB83,456,000 and RMB82,102,000, respectively; the mortgaged investment properties have a net carrying amount of approximately RMB44,428,000 and RMB44,105,000, respectively.

As at December 31, 2018 and September 30, 2019, the Company's certain directors and related parties have guaranteed certain of the Group's bank loans up to RMB124,108,000 and RMB200,335,000, respectively.

As at December 31, 2018 and September 30, 2019 the pledged and guaranteed bank loans with the amounts of RMB1,541,000 and RMB nil have been guaranteed by the Company's certain directors, respectively.

(b) As at December 31, 2018, and September 30, 2019, the others borrowings with the amounts of RMB60,210,000 and RMB28,214,000, are secured by the mortgage of the Group's long-term assets (property, plant and equipment) owned by the Group amounted to approximately RMB61,473,000 and RMB38,930,000, and are guaranteed by the Company's certain directors and related parties, respectively.

20. TRADE PAYABLES

Trade payables are non-interest-bearing and normally settled on terms of one to three months.

An ageing analysis of the trade payables as at December 31, 2018 and September 30, 2019, based on the invoice date, is as follows:

Analysed into:

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 1 year	121,093	106,041
Over 1 year	2,927	2,179
	124,020	108,220

Included in the trade payables are amounts due to a related party of nil and RMB463,000 as at December 31, 2018 and September 30, 2019, respectively, which are repayable within 30 days, which represents credit terms similar to those offered by the related party to their major customers.

21. OTHER PAYABLES AND ACCRUALS

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Staff payroll and welfare payables	209,181	183,498
Other tax payable	14,358	17,728
Payables for acquisition of plant and equipment	102,412	172,429
Accrued expenses	30,922	25,105
Others	9,601	5,195
	366,474	403,955

22. SHARE CAPITAL

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Issued and fully paid:	656,294	590,664

A summary of movements in the Company's share capital is as follows:

	Number of Shares in issue	Share capital
		RMB'000
At December 31, 2018 and 1 January 2019	590,663,575	590,664
Issuance of A shares upon listing on Shenzhen Stock Exchange	65,630,000	65,630
At September 30, 2019	656,293,575	656,294

23. BUSINESS COMBINATIONS

In July 2018, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB30,000,000 in exchange for approximately 23.08% of its equity interest. The Group was able to exercise significant influence over Nanjing Sirui because one of the three directors of Nanjing Sirui was appointed by the Group as at December 31, 2018.

In March 2019, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB45,000,000 in exchange for approximately 19.78% of its equity interest. The Group was still able to exercise significant influence over Nanjing Sirui.

In May 2019, the Group subscribed for the increased registered capital of Nanjing Sirui in consideration of RMB75,000,000 in exchange for approximately 12.70% of its equity interest. Therefore, Nanjing Sirui has become a subsidiary and is no longer an associate of the Group.

The fair values of the identifiable assets and liabilities of Nanjing Sirui as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment	25,148
Right-of-use assets	5,800
Other intangible assets	17,460
Investment in an associate	1,944
Financial assets at fair value through profit or loss	112,000
Other non-current assets	626
Trade receivables	3,009
Contract assets	8,559
Prepayments, other receivables and other assets	6,910
Cash and cash equivalents	15,503
Trade payables	(1,688)
Contract liabilities	(14,701)
Accruals and other payables	(4,162)
Lease liabilities	(5,483)
Deferred tax liabilities	(4,298)
Total identifiable net assets at fair value	166,627
Non-controlling interests	(74,049)
Fair value of an associate:	
Gains on fair value re-measurement of existing equity in business combination not under common control	(10,363)
Transferred from investment in an associate	(68,387)
Goodwill on acquisition	61,172
Satisfied by cash	75,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(75,000)
Cash and cash equivalents acquired	15,503
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	(59,497)

Since the acquisition, Nanjing Sirui contributed RMB14,047,000 to the Group's revenue and caused a loss of RMB13,967,000 to the consolidated profit of the Group for the nine months ended September 30, 2019.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been RMB2,637,103,000 and RMB299,292,000, respectively.

24. CONTINGENT LIABILITIES

As at December 31, 2018 and September 30, 2019, neither the Group nor the Company had any significant contingent liabilities.

25. COMMITMENTS

(a) Operating lease commitments

As lessor

The Group leases out its completed investment properties under operating lease arrangements on terms of five years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	8,718	8,893
In the second year	8,718	8,676
In the third year	2,906	8,676
After three years	–	723
	20,342	26,968

(b) Capital commitments

	September 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Contracted, but not provided for purchase of items of property, plant and equipment	392,274	31,577

26. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the nine months ended September 30, 2018 and 2019:

(a) Transactions with related parties:

		Nine months ended September 30,	
		2019	2018
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Entities controlled by the close family members of the directors			
Purchase of raw materials	(i)	3,462	2,238

Note:

(i) The purchases from related parties were made according to the published prices and conditions offered by the associates to their major customers.

(b) Other transactions with related parties

The Company's certain directors and related parties have guaranteed certain bank loans made to the Group of up to RMB593,359,000 and RMB717,143,000 as at December 31, 2018 and September 30, 2019, respectively, as further detailed in note 19 to the financial statements.

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

	Nine months ended September 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	7,986	6,930
Performance-related bonus	–	–
	7,986	6,930

(d) Outstanding balances with related parties

Details of the Group's trade balances with its related parties as at December 31, 2018 and September 30, 2019 are disclosed in notes 20 to the financial information.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at December 31, 2018 and September 30, 2019 are as follows:

September 30, 2019

		Financial assets at fair value through profit or loss		
Financial assets	Financial assets at amortised cost	Equity investments at fair value through profit or loss	Held for trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at fair value through profit or loss	–	59,872	–	59,872
Financial assets at fair value through profit or loss	–	–	142,000	142,000
Trade receivables	752,397	–	–	752,397
Other non-current assets	23,207	–	–	23,207
Financial assets included in prepayments, other receivables and other assets	81,766	–	–	81,766
Pledged deposits	10,368	–	–	10,368
Cash and cash equivalents	307,822	–	–	307,822
	1,175,560	59,872	142,000	1,377,432

Financial liabilities	Financial liabilities at fair value through profit or loss – Held for trading	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade payables	–	124,020	124,020
Derivative financial instruments	10,418	–	10,418
Financial liabilities included in other payables and accruals	–	142,935	142,935
Interest-bearing bank and other borrowings	–	1,441,711	1,441,711
Lease liabilities	–	170,556	170,556
	10,418	1,879,222	1,889,640

December 31, 2018

Financial assets	Financial assets at amortised cost	Financial assets at fair value through profit or loss – Equity investments at fair value through profit or loss	Financial assets at fair value through profit or loss – Held for trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at fair value through profit or loss	–	24,267	–	24,267
Trade receivables	603,993	–	–	603,993
Derivative financial instruments	–	–	413	413
Other non-current assets	33,475	–	–	33,475
Financial assets included in prepayments, other receivables and other assets	29,040	–	–	29,040
Pledged deposits	13,476	–	–	13,476
Cash and cash equivalents	307,235	–	–	307,235
	987,219	24,267	413	1,011,899

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	108,220
Financial liabilities included in other payables and accruals	202,729
Interest-bearing bank and other borrowings	1,433,967
Lease liabilities	205,502
	1,950,418

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's own non-performance risk for interest-bearing bank and other borrowings as at December 31, 2018 and September 30, 2019 was assessed to be insignificant.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

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

The fair values of the financial assets and liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The following methods and assumptions were used to estimate the fair values:

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

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

The Group enters into derivative financial instruments including forward currency contracts and collars are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market unobservable inputs.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2018, and September 30, 2019:

	Valuation technique	Significant unobservable inputs (level 3)	Range	Sensitivity of fair value to the input
Equity investments at fair value through profit or loss	Valuation multiples	Average EV/R&D multiple of peers	3-9.3	5% increase/decrease would result in increase/decrease in fair value by 5%
Equity investments at fair value through profit or loss	Backsolve from most recent transaction price	Discount for lack of marketability	70%-80%	5% increase/decrease would result in increase/decrease in fair value by 5%
Derivative financial instruments-collars . . .	Option pricing model	Expected volatility	–	5% increase/decrease would result in increase/decrease in fair value by 1.7%/1.8%

Fair value hierarchy

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

Assets measured at fair value

	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	RMB'000	RMB'000	RMB'000
As at September 30, 2019			
Equity investments at fair value through profit or loss	–	59,872	59,872
Financial assets at fair value through profit or loss	142,000	–	142,000
	142,000	59,872	201,872
As at December 31, 2018			
Equity investments at fair value through profit or loss	–	24,267	24,267
Derivative financial instruments-foreign currency forward contracts	413	–	413
	413	24,267	24,680

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

Equity investments at fair value through profit or loss—unlisted	As at 30 September 2019	As at 31 December 2018
	RMB'000	RMB'000
	(unaudited)	
At January 1	24,267	3,267
Purchase	24,225	19,450
Fair value gain	10,179	246
Exchange realignment	1,201	1,304
	59,872	24,267

Liabilities measured at fair value

	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	RMB'000	RMB'000	RMB'000
As at September 30, 2019			
Derivative financial instruments-foreign currency forward contracts	756	–	756
Derivative financial instruments-collars	–	9,662	9,662
	756	9,662	10,418

During the years ended December 31, 2018 and the nine months ended September 30, 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

29. EVENTS AFTER THE REPORTING PERIOD

On August 15, 2019, the shareholders' meeting of the Company passed a resolution to issue up to 5,651,359 A Shares of the Company under the 2019 Pharmaron A Share Incentive Scheme consists of Restricted A shares and share option. Pursuant to the A share Incentive Scheme, we plan to initially grant, 4,521,087 restricted shares to eligible employees at the subscription price of RMB17.85 per A Share (the "Initial Grant") and the remaining 1,130,272 A shares will be reserved for future option grants. As of November 5, 2019, 4,077,387 number of A shares were subscribed by eligible employees and RMB72,781,358 consideration were received by the Company.

The Initial Grant of these granted restricted shares has a contractual term of no more than four years and vest over a three year period, with 40%, 30% and 30% of the awards vesting on the first, second and third anniversary date of the A Shares registration date, respectively, and upon meeting certain annual performance conditions.

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the Track Record Period (the "Accountants' Report") prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, and Interim Condensed Consolidated Financial Information for the nine months ended September 30, 2019(the "Interim Condensed Consolidated Financial Information"), as set out in Appendix I and IA to this prospectus, respectively, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report and Interim Condensed Consolidated Financial Information set out in Appendix I and IA to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at September 30, 2019 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of our adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as at September 30, 2019 following the Global Offering or as at any subsequent dates. It is prepared based on our unaudited consolidated net tangible assets as at September 30, 2019 as derived from the condensed consolidated financial statements set out in Appendix IA of this prospectus and adjusted as described below.

	Unaudited consolidated net tangible assets as at September 30, 2019[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets as at September 30, 2019	Unaudited pro forma adjusted consolidated net tangible assets as at September 30, 2019 per Share[(3)]
	RMB'000	RMB'000	RMB'000	RMB
Based on an Offer Price of HK$34.50 per Offer Share.	2,755,188	3,387,122	6,142,310	7.91
Based on an Offer Price of HK$39.50 per Offer Share.	2,755,188	3,887,570	6,642,758	8.55

Notes:

(1) The unaudited consolidated net tangible assets attributable to owners of our Company as at September 30, 2019 is arrived at after deducting goodwill RMB205,165,000 and other intangible assets of RMB34,196,000 from the unaudited consolidated equity attributable to owners of our Company of RMB2,994,549,000 as at September 30, 2019, as shown in the Interim Financial Report, the text of which is set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 116,536,100 Offer Shares at the indicative Offer Price of HK$34.50 (equivalent to RMB30.87) and HK$39.50 (equivalent to RMB35.34) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by our Company and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK$1 to RMB0.89473, which was the exchange rate prevailing on November 6, 2019 with reference to the rate published by the People's Bank of China. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

(3) Our unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at on the basis that (1) 776,907,062 Shares were in issue assuming that the Global Offering had been completed on September 30, 2019 and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option and (2) all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, and that no options are granted or exercised under the A Share Incentive Scheme.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from our independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

To the Directors of Pharmaron Beijing Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Pharmaron Beijing Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at September 30, 2019, and related notes as set out in Part A of Appendix II to the prospectus dated November 14, 2019 (the "Prospectus") issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note in Part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at September 30, 2019 as if the transaction had taken place at September 30, 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the nine months ended September 30, 2019, on which a review report set out in Appendix IA to the prospectus has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "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*, 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 accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

November 14, 2019

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, in connection with its valuation as at September 30, 2019 of the selected property interests of the Group.

Asia-Pacific Consulting and Appraisal Limited
Flat/Rm A, 12/F,
Kiu Fu Commercial Building
300 Lockhart Road
Wan Chai
Hong Kong

November 14, 2019

The Board of Directors
Pharmaron Beijing Co., Ltd.
8th Floor, Block 1
6 Tai-He Road
Beijing Economic and Technological Development Area
Beijing
China

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions to value the selected property interests held by Pharmaron Beijing Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the selected property interests as at September 30, 2019 (the "**valuation date**").

For the purpose of this report, "property activities" mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments. Any other property interest is classified as "non-property activities". The selected property in this report refer to a property interests form part of the Group's non-property activities that has a carrying amount of 15% or more of the Group's total assets. Except for the property interests in the report, the Group has no any property interest that forms part of the Group's property activities.

BASIS OF VALUATION

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

METHODS OF VALUATION

Due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market sales comparables readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale or a tenancy. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

VALUATION STANDARDS

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation—Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

DOCUMENT AND TITLE INVESTIGATION

We have been shown copies of various title documents including Real Estate Title Certificate and Property Purchase Agreement relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser—Zhong Lun Law Firm, concerning the validity of the property interests in the PRC.

AREA MEASUREMENT AND INSPECTION

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on June 12, 2019 by Mr. David Cheng who is a member of Royal Institution of Chartered Surveyor and has over 19 years' experience in the valuation of properties in the PRC; Ms. Alice Dong who has 15 years' experience in the property valuation in the PRC and Ms. Judy Zheng who has 2 years' experience in the property valuation in the PRC.

CURRENCY

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below for your attention.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

David G.D. Cheng
MRICS
Executive Director

Note: David G.D. Cheng is a Chartered Surveyor who has 19 years' experience in the valuation of assets in the Greater China region and the Asia-Pacific region.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
1.	A parcel of land, 15 buildings and various structures located at No. 6, Taihe Road, Beijing Economic and Technological Development Area, Beijing, The PRC	The property comprises a parcel of land with a site area of approximately 57,256.9 sq.m., 15 buildings and various structures erected thereon which were completed in various stages between 2012 and 2014. The 15 buildings have a total gross floor area of approximately 121,886.61 sq.m., mainly include office building, laboratory buildings, storage buildings, comprehensive building and boiler room. The structures mainly include road, parking lots, gates, bounding wall and other ancillary facilities. The land use right of the property has been granted for a term expiring on June 29, 2059 for industrial use.	The property is currently occupied by the Group for research and development purposes.	**1,112,660,000**

Notes:

1. Pursuant to a Real Estate Title Certificate—Jing (2017) Kai Bu Dong Chan Quan Di No. 0019850, the land use right of a parcel of land with a site area of approximately 57,256.9 sq.m. have been granted to Pharmaron Beijing Co., Ltd. (the "Company") for a term expiring on June 29, 2059 for industrial use, the 15 buildings with a total gross floor area of approximately 121,886.61 sq.m. are owned by the Company, and the details are set out as follows:

No.	Named Building No.	Building Name	GFA
			(Sq.m.)
1.	Building 1	Office Building	16,101.87
2.	Building 2	Chemical and Biology Laboratory Building	17,742.02
3.	Building 3	Laboratory Building	17,391.05
4.	Building 5	Laboratory Building	6,004.13
5.	Building 6	Laboratory Building	4,900.27
6.	Building 7	Laboratory Building	5,729.10
7.	Building 8	Laboratory Building	4,600.65
8.	Building 9	Hydrogenation Laboratory Building	630.11
9.	Building 10	Storage Building	2,478.94
10.	Building 11	Special Storage Building	185.19
11.	Building 12	Laboratory Building	2,085.58
12.	Building 16	Chemical Laboratory Building	10,927.27
13.	Building 17	Chemical Laboratory Building	10,927.27
14.	Building 15 &18	Laboratory Building and Comprehensive Building	22,026.25
15.	Boiler Room	Boiler Room	156.91
	Total:		**121,886.61**

2. Pursuant to a Property Purchase Agreement entered into between the Company and Beijing Kangtaibo Technology Development Co., Ltd. ("**Beijing Kangtaibo**") on December 1st, 2016, the land use right of a parcel of land with a site area of approximately 57,256.9 sq.m. and 15 buildings with a total gross floor area of approximately 121,886.61 sq.m. was contracted to be sold to the Company from Beijing Kangtaibo at a total consideration of RMB968,390,000.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Real Estate Title Certificate of the property is legal, valid and enforceable under the PRC laws;

   b. The land use rights and building ownership of the property have been mortgaged by the Company;

   c. There are no other mortgages, pledges or other third party rights in the property, and no disputes are involved; and

   d. the Company has the right to freely occupy and use the land use rights and building ownership of the property, and will not be restricted by any third party.

PRINCIPAL TAXATION OF OUR COMPANY BY THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得税法》), which was promulgated by the NPC on March 16, 2007, implemented on January 1, 2008, and subsequently revised on February 24, 2017, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008 (collectively, the "EIT Law"), a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay enterprise income tax on the incomes derived from China. The enterprise income tax rate shall be 10%.

Pursuant to the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》),which was adopted by the Ministry of Science and Technology, the MOF and SAT on January 1, 2017, and took effect from January 29, 2016, qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate. Upon obtaining the qualification as a high-tech enterprise, the enterprise shall complete tax reduction and exemption formalities with the tax authorities in charge pursuant to the provisions of Article 4 of these Measures. According to the Notice on Promoting Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the country (《關於將技術先進型服務企業所得税政策推廣至全國實施的通知》) (Cai Shui [2017] No. 79) promulgated by the MOF, the SAT, the MOFCOM, the MOST and the NDRC on November 2, 2017, with effect from January 1, 2017 and across the country, the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15%. The portion of the employee educational expenses of a certified advanced technology service enterprise not exceeding 8% of its total salaries and wages shall be allowed to be deducted in calculating its taxable income; and the excessive portion shall be allowed to be carried forward to the subsequent tax years for deduction.

Value-added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 5, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the "VAT Law"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》(財税[2016] 36號)), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值税税率的通知》), promulgated by the MOF and the SAT on April 4, 2018 and became effective as of May 1, 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》(財政部、税務總局、海關總署公告2019年第39號)), promulgated by MOF, SAT and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

THE PRC TAXATION

Taxation on Dividends

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "EIT Law"), which was amended and came into effect on February 24, 2017, and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), which came into effect on January 1, 2008, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》 (Guo Shui Han [2008] No. 897), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not

exceed 5% of the total dividends payable by the Chinese company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家税務總局關於<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第四議定書》), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) (the "IIT Law"), which was last amended on June 30, 2011 and came into effect on September 1, 2011 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which was last amended on July 19, 2011 and came into effect on September 1, 2011, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the MOF or exempted by an international convention or agreement to which the PRC government is a party.

Pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得税若干政策問題的通知》) (Cai Shui [1994] No. 20),which was issued by MOF and SAT on May 13, 1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such

income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the State Administration of Taxation on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》) (Cai Shui [2009] No. 167), which states that individuals' income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments on November 10, 2010).

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

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花税暫行條例》), which came into effect on October 1, 1988 and amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花税暫行條例施行細則》), which came into effect on October 1, 1988, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Shenzhen-Hong Kong Stock Connect Taxation Policy

On November 5, 2016, Ministry of Finance, State Taxation Administration and China Securities Regulatory Commission jointly promulgated the *Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market* (Cai Shui (2016) No. 127) ("SZHK Stock Connect Tax Policies"), which clearly set forth tax policies applicable to transactions via SZHK Stock Connect and took effect on December 5, 2016.

According to the SZHK Stock Connect Tax Policies, revenues earned by mainland individual investors from the price difference arising from their transfer of shares listed on the Hong Kong Stock Exchange ("HKEx") from December 5, 2016 to December 4, 2019 are exempted from personal income tax. Revenues gained by mainland individual investors from the price difference arising from the trade of shares on the HKEx through SHHK Stock Connect may be exempted from VAT during China's pilot fiscal reform where the business tax is to be replaced by VAT. The dividends obtained by mainland individual investors from the listing of H-shares on HKEx via SZHK Stock Connect shall be subject to 20% personal income tax, provided that the H-share companies shall submit application to China Securities Depository and Clearing Corporation Limited ("**CSDC**"), after which CSDC will furnish them with a roster of the mainland individual investors, and the H-share companies may withdraw personal income tax at a rate of 20% in accordance therewith. If, however, dividends are generated from the listing of non-H-shares on HKEx via SZHK Stock Connect, such personal income tax at the rate of 20% will be deducted by CSDC. In case the individual investors have paid taxes in other jurisdictions by withdrawal in advance, the investors may apply for tax exemption to the tax authority in charge of CSDC using materials evidencing such withdrawal. Dividends gained by mainland securities investment funds via investing in shares listed on the HKEx via SZHK Stock Connect shall be subject to personal income tax according to the aforementioned provisions as if they are individual investors.

According to the SZHK Stock Connect Tax Policies, revenues made by mainland company investors from their transfer of shares that they have invested in on the HKEx via SZHK Stock Connect shall be factored in their total revenues and subject to company income tax, and if it is the mainland governmental bodies that earn incomes through trading shares listed on HKEx via SZHK Stock Connect, these incomes are exempted from VAT as they are now during the pilot period of replacement of business tax by VAT. If mainland company investors gain dividends through investment in shares listed on the HKEx via SZHK Stock Connect, such dividends shall be calculated in the total revenue of the companies and will be subject to income tax accordingly, in which case, a mainland domiciled company legally holding H shares for no less than 12 consecutive months will be exempted from company income tax for the amounts earned from the H shares during such 12-month period, while in case of a HK-based H-share company listed on the HKEx, the company shall apply to CSDC, who will provide to it the roster of mainland company investors, upon which the H-share company refrains from deducting income tax from the dividends, and payable income tax shall be declared and paid by the investors themselves; when declaring company income tax, if a mainland company investor has any tax imposed on the dividends deducted by a non-H-share company listed on the HKEx, the investor may apply for tax offset.

According to the SZHK Stock Connect Tax Policies, in case that any mainland investor trades, inherits or gives as gift shares listed on the HKEx, stamp tax will be imposed thereon according to the tax law currently prevalent in Hong Kong SAR, and the both CSDC and Hong Kong Securities Clearing Company Limited may collect the stamp tax on behalf of one another.

FOREIGN EXCHANGE

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

On January 29, 1996, the State Council promulgated the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control

Regulations") and it came into effect on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations"), which became effective on July 1, 1996. The Settlement Regulations does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

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

On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

On February 13, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13). The notice came into effect on June 1, 2015. The notice has canceled two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

PRC LAWS AND REGULATIONS

The PRC Legal System

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

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

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

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

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

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations & Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and amended three times on September 2, 1983, December 2, 1986 and October 31, 2006, the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's courts based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions, such as the intellectual property division, if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

A people's court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's

procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended three times on October 28, 2007, August 31, 2012 and June 27, 2017 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

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

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

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

The PRC Company Law, Special Regulations and the Mandatory Provisions

The PRC Company Law was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018. The latest revised PRC Company Law was implemented on October 26, 2018.

The Special Regulations was passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations include provisions in respect of the overseas share offering and listing of joint stock limited companies.

The Mandatory Provisions jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System and implemented on August 27, 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed in overseas stock exchanges. Accordingly, the contents required by the Mandatory Provisions have been incorporated in the Articles of Association. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with overseas-listed foreign invested shares to be issued.

Circular issued by the State Council in connection with the adjustments in regulations concerning companies registered in China and listed abroad

On October 17, 2019, the State Council issued a circular in connection with the adjustments in regulations concerning companies registered in China and listed abroad (Circular No. 97 of the State Council, effective October 17, 2019), pursuant to which it agreed that companies registered in China and listed abroad shall comply with the PRC Company Law with respect to the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting, and that relevant procedures set forth in Article 20 to Article 22 of the Special Regulations shall no longer apply.

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

General

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

Incorporation

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

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration for industry and commerce, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. A promoter who offers shares to the public must announce a share offering prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is

formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

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

- the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;
- the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and
- the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

Share Capital

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

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

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

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

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase in Share Capital

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

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

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders at general meeting;
- the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed;
- the creditors of the company may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification; and
- the company must apply to the relevant administration bureau for industry and commerce for registration of the change on the reduction of registered capital.

Repurchase of Shares

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

(1) Reducing the registered capital of the company.

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

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

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

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

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

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the Securities Law of the People's Republic of China. A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of paragraph 1 of this article shall carry out trading in a public and centralized manner.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

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

Shareholders

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

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

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

Shareholders' General Meetings

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

- to decide on the company's operational objectives and investment plans;
- to elect and dismiss the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;
- to review and approve the reports of the board of directors;

- to review and approve the reports of the supervisory board;
- to review and approve the company's annual financial budgets and final accounts;
- to review and approve the company's profit distribution proposals and loss recovery proposals;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of corporate bonds;
- to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- to amend the company's articles of association; and
- to exercise any other authority stipulated in the articles of association.

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

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

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

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

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

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

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

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

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

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

Board

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

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

- to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- to decide on the company's operational plans and investment proposals;
- to formulate proposal for the company's annual financial budgets and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- to decide on the setup of the company's internal management organs;
- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- to formulate the company's basic management system; and
- to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the

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

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

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

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and
- a person who is liable for a relatively large amount of debts that are overdue.

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

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

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

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

Supervisory Board

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

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

The supervisory board may exercise its powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings;
- when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;
- to submit proposals to the shareholders' general meetings;
- to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and
- to exercise any other authority stipulated in the articles of association.

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

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), which is promulgated and implemented on April 3, 1995, the chairman of the supervisory board shall be selected by more than two-thirds of the supervisors.

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

Manager and Senior Management

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

- to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;
- to arrange for the implementation of the company's annual operation plans and investment proposals;
- to formulate proposals for the establishment of the company's internal management organs;
- to formulate the fundamental management system of the company;
- to formulate the company's specific rules and regulations;
- to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;
- to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- to exercise any other authority granted by the board of directors.

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

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

Duties of Directors, Supervisors and Senior Management

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

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

Directors and senior management are prohibited from:

- misappropriating company funds;
- depositing company funds into accounts under their own names or the names of other individuals to deposit;
- loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;
- entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;
- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- accepting commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential information of the company; and
- other acts in violation of their duty of loyalty to the company.

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

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

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

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

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

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

Appointment and Retirement of Auditors

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

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

Profit Distribution

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

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

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws,

administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department of the State Council authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

- the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- the company is dissolved by reason of its merger or division;
- the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or
- the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph 1 above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph 1, 2, 4 or 5 above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

- to sort out the company's assets and to prepare a balance sheet and an inventory of assets;
- to notify the company's creditors or publish announcements;
- to deal with any outstanding business related to the liquidation;

- to pay any overdue tax together with any tax arising during the liquidation process;
- to settle the company's claims and liabilities;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in any civil procedures.

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

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

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

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

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

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

Overseas Listing

Pursuant to the Special Regulations, the shares of a company shall only be listed overseas after obtaining approval from CSRC.

According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (《關於股份公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

Loss of Share Certificates

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

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

Merger and Division

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

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

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

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

The PRC Securities Laws, Regulations

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》, the "PRC Securities Law") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. It was the first national securities law in the PRC, and is divided into 12 chapters and 240 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. Article 238 of the PRC Securities Law provides that domestic enterprises must obtain prior approval from the State Council Securities regulatory authorities for its issuance of securities abroad or listing and trading of securities abroad. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

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

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

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

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "New York Convention") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangements reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced.

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

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

Corporate Existence

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

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

Share Capital

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

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

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

Restrictions on Shareholding and Transfer of Shares

Generally, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

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

Financial Assistance for Acquisition of Shares

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

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting.

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

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

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

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

Variation of Class Rights

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

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

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

Derivative Action by Minority Shareholders

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

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

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

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10% or above of

voting rights of all issued shares of company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

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

Directors

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

Board of Supervisors

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

Fiduciary Duties

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

Financial Disclosure

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

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

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

Information on Directors and Shareholders

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

Receiving Agent

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

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution of the company or the conversion of the corporate form has to be approved by shareholders in general meeting.

Mandatory Transfers

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

Arbitration of Disputes

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

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Hong Kong Listing Rules and the Mandatory Provisions, remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management) have been set out in the Articles of Association.

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

The Articles of Association and relevant amendments thereto were adopted by the Shareholders in Shareholders' general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law, the Special Regulations, the Mandatory Provisions, the Guidance on Articles of Association of Listed Company and the Hong Kong Listing Rules, and will become effective on the date that the Company's H Shares are Listed on the Hong Kong Stock Exchange.

SHARES

Issuance of Shares

The Company shall set up ordinary Shares at any time. According to its needs, the Company may create other classes of Shares upon approval from the authorized department of the State Council.

The Shares of a company take the form of stocks.

The Shares of the Company shall be issued by the Company following the principles of open, fairness and justice, and each share in the same class shall have the same rights.

For the same class of Shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the Shares shall pay the same price for each share.

The Company may issue Shares to domestic and overseas investors upon approval by competent securities department of the State Council.

Pledge of Shares

The Company shall not accept its own shares as the subject matter of a pledge.

Repurchase of Shares

The Company may repurchase its issued Shares in the following circumstance, after passing the procedures stipulated in laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Association.

(a) reduction of the Company's registered capital;

(b) merging with another company holding Shares in the Company;

(c) granting of Shares to employees of the Company as reward;

(d) requests to the Company for acquiring their Shares from Shareholders who have voted against the resolutions passed at a Shareholders' general meeting on the merger or division of the Company;

(e) to use the shares to convert the convertible bonds issued by a listed company that may be converted into share;

(f) Necessary if a listed company wishes to maintain the value of the company and the interests of the shareholders.

Except for the circumstances set out above, the Company shall not be engaged in any activities of buying and selling its Shares.

With the approval of the relevant competent authorities of the State Council, the Company may repurchase its Shares by the following ways:

(a) repurchasing the Shares by public trading on a stock exchange;

(b) making a repurchase offer to all Shareholders in proportion to their shareholdings;

(c) repurchasing the Shares by agreement without involving a stock exchange;

(d) by other means stipulated by laws or regulations or permitted by competent securities department of the State Council or other competent authorities.

Unless the Company is undergoing liquidation, it shall comply with the following requirements with respect to a repurchase of its issued Shares:

(a) for repurchases of Shares by the Company at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose;

(b) where the Company repurchases its Shares at a premium to its par value, payment up to the par value shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. Payment of the portion which is in excess of the par value shall be made as follows:

    (i) if the Shares being repurchased are issued at par value, payment shall be made from the book balance of its distributable profits; or

    (ii) if the Shares being repurchased are issued at a premium to its par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. However, the amount deducted from the proceeds of issuance of new Shares shall not exceed the aggregate amount of the premium received by the Company from the issuance of the Shares so repurchased, nor shall it exceed the amount in the Company's capital reserve fund account (including premium on the new issue) at the time of such repurchase;

(c) the Company shall make the following payments from the Company's distributable profits:

    (i) acquisition of the rights to repurchase its own Shares;

    (ii) variation of any contracts for the repurchase of its Shares; or

    (iii) release from its obligations under any repurchase contracts;

(d) after the aggregate par value of the canceled Shares is deducted from the Company's registered capital in accordance with the relevant provisions, the amount deducted from the distributable profits used for the repurchase of the Shares at par value shall be credited to the Company's capital reserve fund account. If it is otherwise provided in laws, administrative regulations, regulations of ministries and commissions, regulatory documents or relevant rules issued by local securities regulatory authority where the Company's Shares are listed regarding the financial treatment of the repurchase of the Shares, the latter shall prevail.

Transfer of Shares

Unless otherwise specified by laws, administrative regulations, regulations of ministries and commissions, and listing rules for stock exchanges where the Company's Shares are listed, the Shares of the Company may be transferred freely without any lien attached.

The Directors, Supervisors and senior management personnel of the Company shall notify the Company of their holding of Shares in the Company and changes of their holdings. The Shares transferrable by them during each year of their tenures shall not exceed twenty-five percent of their total holdings of the same class of Shares of the Company. The Shares in the Company held by them are not transferable within one year from the date on which the Company's Shares are listed. The Shares in the Company held by them shall not be transferred within six months of their departure from the Company.

Shares issued prior to the Company's initial public offering of A Shares are not transferable within one year from the date on which the Company's A Shares are listed on the stock exchange.

No changes shall be made to the register of Shareholders as a result of a transfer of Shares either within thirty days prior to the date of a general meeting, or within five days before the benchmark date set by the Company for the purpose of distribution of dividends. If it is otherwise provided according to local securities regulatory authority where the Company's Shares are listed, the latter shall prevail.

Financial Assistance for the Acquisition of Shares in Our Company

The Company or its subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers who will or who intend to purchase the Company's Shares. The aforementioned purchasers include both persons who have directly or indirectly assumed obligations due to purchasing the Company's Shares.

The Company and its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or relieve the obligations of the aforesaid obligors.

The acts listed below are not prohibited by the preceding two paragraphs, subject to any prohibitions by laws and administrative regulations:

(a) the financial assistance provided by the Company is either genuinely for the interests of the Company and the main purpose of the financial assistance is not to purchase Shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;

(b) the lawful distribution of the Company's properties in the form of dividends;

(c) the distribution of dividends in the form of Shares;

(d) the reduction of registered capital, repurchase of Shares, and adjustment of shareholding structure, etc. in accordance with our Articles;

(e) the provision of a loan by the Company within its scope of business and in the ordinary course of business (provided that this does not lead to a reduction in the net assets of the Company or that if this causes a reduction, the financial assistance is taken from the Company's distributable profits); or

(f) provision of funds by the Company for an employee shareholding scheme (provided that this does not lead to a reduction in the net assets of the Company or that if there causes a reduction, the financial assistance is taken from the Company's distributable profits).

"Financial assistance" referred to in our Articles shall include, without limitation, the following means:

(a) financial assistance given as gifts; or

(b) financial assistance given by guarantee (including the assumption of liability by the guarantor or the provision of properties by the guarantor to secure the performance of obligations by the obligor), indemnity (other than an indemnity in respect of the Company's neglect or default) or the release or waiver of any rights;

(c) the provision of loans or the entrance into any agreement under which the obligations of the Company are to be fulfilled prior to the obligations of another party, and a change in the parties to, and the assignment of rights arising under such loans or agreement;

(d) any other form of financial assistance given by the Company when the Company is insolvent, has no net assets, or under any other situations when its net assets would be reduced to a material extent.

The "obligations" referred to in the Articles shall include the obligations of an obligor which have arisen from entering into an agreement or making an arrangement (regardless of whether such agreement or arrangement is enforceable, or whether such obligations are assumed by the obligor individually or jointly with any other person) or any obligations that arise out of changes made in any other way to the obligor's financial condition.

SHAREHOLDERS

Register of Shareholders

The register of Shareholders shall be sufficient evidence to the holding of the Shares of the Company by a Shareholder.

The Company shall have a Shareholders register to record the following matters:

(a) the name, address (domicile), occupation or nature of each Shareholder;

(b) the class and number of Shares held by each Shareholder;

(c) the amount paid or payable for the Shares held by each Shareholder;

(d) the serial number(s) of the share certificate(s) held by each Shareholder;

(e) the date on which each Shareholder is registered as a Shareholder;

(f) the date on which each Shareholder ceases to be a Shareholder.

Subject to the Articles of Association and other applicable regulations, once the Shares of the Company are transferred, the name of the transferee shall be listed in the Shareholders' register as the holder of the said Shares.

Transfer of Shares shall be registered at domestic and overseas-listed share transfer register agencies assigned by the Company and recorded in the Shareholders' register.

Rights of Shareholders

The Shareholders holding ordinary Shares shall enjoy the following rights:

(a) to receive dividends and other kinds of distributions as determined by the number of Shares held by them;

(b) to request, convene, host, attend or appoint a proxy to general meetings according to laws, and to exercise voting rights based on the number of the Shares held by them;

(c) to supervise the operations of the Company, and to make suggestions and enquiries accordingly;

(d) to transfer, bestow or pledge of the Shares held by them in accordance with the laws, administrative regulations, and the provisions of the Company's Articles;

(e) to obtain relevant information in accordance with our Articles, including:

  (i) to obtain the Company's Articles after paying the production costs thereof;

  (ii) to acquire the right to inspect and duplicate after paying a reasonable charge: (1) all parts of the register of Shareholders; (2) personal information of the Directors, Supervisors, President (General Manager) and other senior management personnel of our Company, etc; (3) information on the share capital of the Company; (4) reports on the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares in relation to any repurchase by the Company of its own Shares since the last financial year, as well as all the expenses paid by the Company in relation to such repurchases (classified as domestic Shares and foreign-invested Shares); (5) minutes of the Shareholders' general meetings; (6) the latest issue of audited financial statements, and reports of Board of Directors, Supervisory committee.

(f) to participate in the distribution of the remaining assets of the Company based on the number of Shares held in the event of the Company's dissolution or liquidation;

(g) to demand the Company to acquire their Shares (for Shareholders who disagree with the resolutions adopted at a Shareholders' general meeting in relation to the merger or division of the Company); and

(h) to have other rights conferred in accordance with the law, administrative regulations, regulations of ministries and commissions or listing rules for stock exchanges where the Company's Shares are listed and our Articles.

SHAREHOLDERS' GENERAL MEETING

Notice of the Meeting

The Shareholders' general meetings shall be divided into annual general meetings and extraordinary general meetings.

The annual general meeting shall be convened once a year, and be held within six (6) months after the end of each accounting year.

An extraordinary general meeting shall be convened when necessary. An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(a) the number of Directors is less than the minimum number required by the PRC Company Law or less than two-thirds of the number stipulated in our Articles;

(b) the outstanding loss of the Company is at least one-third of the Company's total paid-up share capital;

(c) when Shareholders who individually or jointly holding more than ten percent of the Company's Shares with voting rights request in writing to convene an extraordinary general meeting; the number of Shares held by the Shareholders shall be calculated as at the date of request in writing made by him/her;

(d) the Board deems it necessary to convene the meeting;

(e) the Supervisory Committee proposes to convene the meeting; or

(f) any other circumstances as stipulated by laws, administrative regulations, regulations of ministries and commissions and the listing rules for stock exchanges where the Company's Shares are listed or our Articles.

When the Company is to convene a general meeting, in the event of an annual general meeting, the conveners shall issue a written notice to all Shareholders at least 20 days prior to the date of the meeting; in the event of an extraordinary general meeting, the conveners shall issue a written notice to all Shareholders at least 15 days prior to the date of the meeting. In calculating the notice period for the general meetings, the date of the meeting notice shall be inclusive and the date of the meeting shall be exclusive.

The notice of a Shareholders' general meeting shall:

(a) be issued in writing;

(b) specify the time, venue and duration of the meeting;

(c) state the matters and proposals to be deliberated at the meeting;

(d) provide to Shareholders with all necessary information and explanation to enable Shareholders to make informed decisions on the matters to be discussed. This means that when (including but not limited to) any merger, share repurchase, share capital reorganization or any proposals relating to change in the structure of the Company are involved, the detailed terms of the proposed transaction, copies of the proposed agreement (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;

(e) if any of the Directors, Supervisors, President (General Manager) and other senior management personnel have material interest in the matters to be discussed, they shall disclose the nature and extent of such interest; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor, President (General Manager) and other senior management personnel as Shareholders compared to other Shareholders of that same class, they shall explain this difference;

(f) the full text of any proposed special resolution to be voted on at the meeting;

(g) a prominent statement stating that all Shareholders entitled to attend the meeting and appoint proxy by written to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Company;

(h) the time and venue for delivering the proxy form authorizing the proxy to vote of the relevant meeting;

(i) specify the date of registration of shareholdings of Shareholders who are entitled to attend the Shareholders' general meeting. The interval between date of registration and the meeting shall not be more than seven business days. The date of registration cannot be changed once determined; and

(j) the name and phone number of the contact person of the meeting.

The notice of a Shareholders' general meeting may be in the form of an announcement.

Power of the Meeting and Matters to be Determined

The Shareholders' general meeting shall be the governing organ of the Company. It may exercise the following powers in accordance with the law:

(a) to decide on the business policies and investment plans of the Company;

(b) to elect and replace Directors and Supervisors which are not appointed as representatives of the employees and to decide on the remuneration of the relevant Directors and Supervisors;

(c) to review and approve reports made by the Board;

(d) to review and approve reports made by the Supervisory Committee;

(e) to review and approve the Company's proposed annual financial budget, final accounts;

(f) to review and approve the Company's plans for profit distribution and loss recovery plans;

(g) to adopt resolutions concerning the increase or reduction of the Company's share capital;

(h) to adopt resolutions on the issuance of bond;

(i) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(j) amendment of the Articles of Association;

(k) to adopt resolutions on the engagement, dismissal or discontinuation of the appointment of accounting firms;

(l) to review the proposals raised by the Shareholders severally or jointly representing above three percent of the Company's Shares with voting rights;

(m) to consider and approve the major transactions, guarantees stated in the Article 66;

(n) to deliberate on purchase and sale of significant assets within a year which exceeds 30% of the company's audited total assets of the latest period;

(o) to deliberate on share option incentive plan;

(p) to deliberate and approve change in application of funds raised;

(q) to review and approve other issues which should be decided by the Shareholders' general meeting as stipulated by laws, administrative regulations, regulations of ministries and commissions and listing rules for stock exchanges where the Company's Shares are listed or our Articles.

Resolutions at the general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights represented by Shareholders (including proxies) present at the meeting.

Special resolutions of the general meeting shall be passed by more than two thirds of the voting rights represented by Shareholders (including proxies) present at the meeting.

The following matters shall be approved by general meeting by special resolutions:

(a) increasing or reducing the share capital of the Company and issuing Shares of any class, equity warrants and other similar securities;

(b) the issuance of corporate bonds;

(c) division, merger, dissolution or liquidation form of the Company;

(d) amendment to the Articles of Association;

(e) purchase, disposal of major assets or guarantees within one year with value of more than 30% of the total audited assets of the Company for the latest period;

(f) share incentive schemes;

(g) other matters stipulated by laws, administrative regulations, listing rules for stock exchanges where the Company's Shares are listed or the Articles of Association, or matters which are determined by an ordinary resolution of the general meeting to be of material significance to the Company and are required to be approved by way of special resolutions.

Special Procedures for Voting by Class Shareholders

Shareholders who hold different classes of Shares shall be class Shareholders. Class Shareholders shall have rights and obligations in accordance with the laws, administrative regulations and the Articles of Association.

Apart from holders of other classes of Shares, holders of domestic Shares and H Shares are regarded as Shareholders of different classes.

If the Company proposes to change or nullify certain rights of a certain class of Shareholders, this proposal should be passed by a special resolution at the Shareholders' general meeting and passed at the meeting convened according to Article 131 to 135 of the Articles by the related class of Shareholders.

The rights of a certain class of Shareholders shall be deemed to be changed or nullified in the following circumstances:

(a) to increase or reduce in the number of the Shares of such class, or increase or reduce the number of the Shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(b) to convert part or whole of the Shares of such class into other class(es), convert part or whole of the Shares of other class(es) into such class, or grant such conversion rights;

(c) to nullify or reduce the rights of such class of Shares to receive payable dividends or cumulative dividends;

(d) to reduce or nullify the privileged rights of such class of Shares to acquire dividends or obtain distribution of assets during liquidation of the Company;

(e) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of such class of Shares or the rights of such class of Shares to obtain securities issued by the Company;

(f) to nullify or reduce the rights of such class of Shares to receive amounts payable by the Company in a particular currency;

(g) to establish new class(es) of Shares with the same or more voting rights, distribution rights or other privileges as compared with those enjoyed by such class of Shares;

(h) to impose restriction or additional restrictions on the transfer or ownership of such class of Shares;

(i) to grant the share subscription options or share conversion options of such class or another class of Shares;

(j) to increase the rights or privileges of other class(es) of Shares;

(k) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of Shareholders during the restructuring; or

(l) to revise or nullify the provisions under the chapter with title of "Special Procedures for Voting by Class Shareholders" in our Articles.

Where issues specified in (b) to (h), (k) to (l) of the preceding provisions are involved, the affected class Shareholders, whether or not they are entitled to vote at Shareholders' general meetings originally, shall have the right to vote at class general meetings. However, the Shareholders with conflicts of interests shall have no voting rights at the meeting for such class of Shareholders.

A resolution of the meeting for a certain class of Shareholders shall be adopted by above two-thirds of the voting Shares represented by Shareholders of such class present at the meeting.

The special voting procedure at a Shareholders' general meeting for class Shareholders shall not apply for the following cases:

(a) upon the approval by way of a special resolution passed by a Shareholders' general meeting, the Company independently or simultaneously issues domestic Shares and overseas listed foreign Shares every twelve months, provided that the amount of each class of Shares intended to be issued is not more than twenty percent of the issued and outstanding Shares of the respective class; or

(b) the Company's plan on issuing domestic Shares and overseas listed foreign Shares at the time of establishment, which is completed within fifteen months from the date of approval from competent securities department under the State Council or within validity period of the approval documents;

(c) Upon the approval by the securities regulator under the State Council, the domestic shareholders of the company may transfer its shares to offshore investors and list such shares on a foreign stock exchange.

DIRECTORS' SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

Appointment, Removal and Retirement

Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. Each term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. The Board of the Company consists of 12 Directors, including 5 independent Directors.

The Board shall have one chairman, which shall be elected or removed from office by more than half of all Directors.

Candidates for Directors, excluding the candidates for independent Directors, shall be nominated by the Board or Shareholders individually or jointly holding above three percent of the Company's total Shares with voting rights and be selected by the Shareholders' general meeting.

Candidates for Shareholders' representative Supervisor shall be nominated by the Supervisory Committee or Shareholders individually or jointly holding above three percent of the Company's Shares with voting rights and be selected by the Shareholders' general meeting.

A person may not serve as a Director, Supervisor, President or other senior management of the Company if such person:

(i) has no civil capacity or has limited civil capacity;

(ii) was sentenced for the offense of corruption, bribery, expropriation, misappropriation of property or for disrupting the social and economic order, and less than five years has elapsed since the sentence was served, or has been deprived of political rights due to such crimes, and less than five years has elapsed since the deprivation was completed;

(iii) was a former director, factory manager or general manager of a company or enterprise which has been bankrupted or put into liquidation and was personally liable for the winding up of such company or enterprise, and less than three years has elapsed since the date of completion of the bankruptcy and liquidation of the Company or enterprise;

(iv) was a former legal representative of a company or an enterprise which has had its business license revoked and been ordered to close down its business for violating the laws, and was personally liable for that revocation, and less than three years has elapsed since the date of revocation;

(v) has comparatively large amount of individual debts that have become overdue and have not been settled;

(vi) has been currently under investigation for criminal offense and which investigation is not yet concluded;

(vii) has been prohibited to enter the capital market by competent securities department of the State Council and the period has not expired;

(viii) is prohibited from acting as leader of an enterprise by virtue of any laws and administrative regulations;

(ix) is not a natural person;

(x) has been convicted by relevant competent authorities for violation of securities related laws and regulations, where such violation involved fraudulent or dishonest acts, and less than five years has elapsed since the date of such conviction; or

(xi) other contents stipulated by laws, administrative regulations, regulations of ministries and commissions.

The validity of any act by a Director, Manager or other senior management personnel of the Company made on behalf of the Company towards a third party acting in good faith shall not be affected by any non-compliance in regulations of that person's position, election procedure or qualifications.

Power of the Board of Directors

The Board of Directors shall exercise the following functions and powers:

(a) convening Shareholders' general meetings and reporting its performance at the Shareholders' general meetings;

(b) implementing resolutions of the Shareholders' general meetings;

(c) determining or making significant amendment to the Company's business plans and investment plans;

(d) formulating annual financial budget plans and final account plans;

(e) formulating profit distribution plans and plans for recovery of losses of the Company;

(f) formulating proposals for the increase or reduction of the Company's registered capital, and for the issuance of the Company's debentures or other securities and the listing;

(g) drafting proposals for the Company's major acquisition, purchase of the Company's Shares or merger, division, dissolving and change in corporate form of the Company;

(h) determining investments, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted investments, connected transactions and other matters within the authorization scope of Shareholders' general meeting;

(i) deciding on the Company's internal management structure;

(j) appointing or dismissing the Manager of the Company and the secretary to the Board of the Company; appointing or dismissing Vice President and senior management personnel including person-in-charge of finance of the Company based on the nominations of the Manager, and determining their emoluments, rewards and penalties;

(k) establishing the basic management system of the Company;

(l) drafting proposals for the amendment to the Articles;

(m) managing the information disclosures of the Company;

(n) proposing the engagement or change of the appointment of accounting firms to the Shareholders' general meeting;

(o) reviewing work reports of the Manager of the Company and examine his or her work; and

(p) other duties and powers stipulated by laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Company's Articles.

A meeting of the Board of Directors shall only be held if it has a quorum of more than one half of the directors. Resolutions adopted at the Board meeting must be approved by more than one half of all members of the Directors, unless otherwise required in the Articles of the Company. Resolutions of the Board shall be passed on a "one person one vote" basis.

Power of the Supervisory Committee

The Company shall have a Supervisory Committee. The proportion of employee representative Supervisors shall not be less than one-third of Supervisors. Employee representative Supervisors shall be elected by employee representative meeting, employee meeting or other democratic procedures of the Company. The representatives of the Shareholders shall be elected by Shareholder's general meeting.

The Supervisory Committee shall have one chairman. The appointment and removal of the chairman shall be made with a resolution passed by over two-thirds of all members of the Supervisory Committee.

Each Supervisor shall serve for a term of three years, which may be reelected upon the expiration of his/her term.

The Supervisory Committee shall exercise the following powers:

(a) to review and give written comments to regular reports of the Company formulated by the Board;

(b) to monitor financial situations of the Company;

(c) to supervise the related acts of any of the Directors and senior management personnel and propose the removal of who violates any laws, administrative regulations, the Articles of Association or resolutions passed by the Shareholders' meeting;

(d) to demand any Director or senior management personnel who acts in a manner which is detrimental to the Company's interest to rectify such behavior;

(e) to propose the convening of extraordinary general meeting and to convene and preside over extraordinary general meeting when the Board fails to perform the duty of convening and presiding Shareholders' general meetings;

(f) to make proposal to the Shareholders' general meeting;

(g) to represent the Company to negotiate with the Directors and senior management members or bringing actions against Directors and senior management members according to Article 151 of the Company Law;

(h) to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the Shareholders' general meetings and to authorize, in the Company's name, publicly certified and practicing accountants to assist in the reexamination of such information should any doubt arise in respect thereof and the fees shall be borne by the Company;

(i) to investigate the Company should any abnormal operation situation arise; to authorize accounting firms, law firms and other professional institutions to assist the investigation and the fees shall be borne by the Company.

Remunerations and Compensation for Loss of Office

The Company shall enter into written contracts with the Directors and the Supervisors regarding remuneration which are subject to the prior approval from the Shareholders' general meeting. The aforesaid "remunerations" include:

(a) remuneration for the Directors, Supervisors or senior management personnel of the Company;

(b) remuneration for the Directors, Supervisors or senior management personnel of the subsidiaries of the Company;

(c) remuneration for those providing other services for managing the Company and its subsidiaries; and

(d) compensation to Directors or Supervisors for loss of office or upon retirement.

Except for the contracts mentioned above, the Directors and Supervisors shall not initiate litigation against the Company and claim benefits due to them for the foregoing matters.

The remuneration contracts between the Company and its Directors or Supervisors shall stipulate that if the Company is to be acquired, the Directors and Supervisors of the Company shall, subject to prior approval from the Shareholders' general meeting, be entitled to compensation or other funds for loss of their positions or upon retirement. The "acquisition of the Company" mentioned in this paragraph refers to one of the following circumstances:

(a) a takeover offer made by any person to all Shareholders; and

(b) a takeover offer made by any person with the intent of becoming a "Controlling Shareholder".

See the definition of "Controlling Shareholder" in Article 63 of our Articles.

If Directors and Supervisors do not comply with the preceding provisions, any funds received by them shall go to the persons who have accepted the offer mentioned above and sell their Shares. The Directors and Supervisors shall bear the expenses arising from the proportional distribution of such amounts, and such expenses shall not be deducted from the amounts.

Loans to Directors, Supervisors and Senior Management

The Company shall not, directly or indirectly, provide loans or loan guarantees to the Directors, Supervisors, President (Chief Executive Officer/Managers) and other senior management personnel of the Company and its parent company, nor shall the Company provide the same to their connected persons.

The preceding provision shall not apply to the following circumstances:

(a) loans or loan guarantees provided by the Company to its subsidiaries;

(b) loans, loan guarantees or other funds provided by the Company to the Directors, Supervisors, President (Chief Executive Officer) and other senior management personnel of the Company pursuant to their employment contracts which were adopted by the Shareholders' general meeting, with which the foregoing persons can make payments in the interests of the Company or for the expenses incurred in performing their duties and responsibilities for the Company;

(c) where the normal scope of business of the Company includes the provisions of loans and loan guarantees, loans and loan guarantees can be provided by the Company to the relevant Directors, Supervisors, Manager and other senior management personnel of the Company and their connected persons, provided that the loans and loan guarantees are provided on normal commercial terms and conditions.

If the Company provides a loan in breach of the provisions above, the person who has received the loan shall repay it immediately regardless of the terms of the loan.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations and the provisions of competent departments.

The Company shall prepare its financial statements in accordance with PRC accounting standards and regulations, as well as in accordance with international accounting standards or the accounting standards of the overseas locality in which the Company's Shares are listed. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. When distributing the after-tax profits of a given fiscal year, the Company shall take as final the smaller amount of after-tax profits out of the aforesaid two kinds of financial statements.

Except as otherwise provided in the Company's Articles, the Company shall send the aforesaid report to each Shareholder of H Share by hand or pre-paid post or other means. the address of the recipients shall be the address registered in the register of Shareholders.

PROCEDURES ON LIQUIDATION

The Company shall be dissolved in any of the following circumstances:

(a) other dissolved matters stipulated in our Articles or as a result of expiry of term of business;

(b) if the Shareholders' general meeting resolves to do so;

(c) if a dissolution is necessary as a result of a merger or division of the Company;

(d) the Company is declared bankrupt pursuant to the law as a result of its inability to pay due debts;

(e) if the business license of the Company is revoked or canceled or if it is ordered to close down its business; or

(f) where the operation and management of the Company falls into serious difficulties and its continued existence would cause material losses to Shareholders, the Shareholders holding above ten percent of the total voting rights of the Company may apply to the people's court to dissolve the Company if there are no other solutions.

If the Board decides that the Company shall be liquidated (except for liquidation resulting from the Company's declaration of bankruptcy), it shall state in the notice of Shareholders' general meeting convened for such purpose that the Board have conducted a comprehensive investigation into the situation of the Company and believes that the Company is able to pay off all its debts within twelve months following the commencement of the liquidation.

After the Shareholders' general meeting adopts a resolution in favor of the liquidation, the functions and powers of the Board of the Company shall be terminated immediately. The liquidation committee shall follow the instructions of the Shareholders' general meetings and shall report to the Shareholders' general meeting at least once a year on the income and expenditure of the liquidation committee, the business of the Company and the progress of the liquidation, and shall make a final report to the Shareholders' general meeting at the end of the liquidation.

BORROWING POWER

The Articles do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

(a) provisions which authorize the Board to formulate proposals for the issuance of debentures and other securities by our Company;

(b) provisions which provide that the issuance of debentures and other securities shall be approved by the general meeting by a special resolution.

AMENDMENTS TO THE ARTICLES

In any of the following circumstances, the Company shall amend the Articles:

(a) if upon amendments to the PRC Company Law or relevant laws and administrative regulations, any terms contained in the Articles become inconsistent with the provisions of the amended laws and administrative regulations;

(b) a change in the Company causes inconsistence with those contained in the Articles; or

(c) a resolution being passed by the Shareholders' general meeting to amend our Articles.

If the amendments to our Articles are subject to approval by relevant competent authorities, the amendments to our Articles adopted at the Shareholders' general meeting shall be reported to the competent authority for approval; if registration matters are involved, the Company shall apply for registration of the changes in accordance with the law.

Resolution of Disputes

The Company shall abide by the following rules for dispute resolution:

(a) If any disputes or claims in relation to the Company's business, with respect to any rights or obligations under our Articles, the PRC Company Law or any other relevant laws and administrative regulations, arise between Shareholders of overseas listed foreign Shares and the Company, between Shareholders of overseas listed foreign Shares and the Company's Directors, Supervisors, senior management personnel of the Company, or between Shareholders of overseas listed foreign Shares and Shareholders of domestic Shares, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the Company, the Company's Shareholders, Directors, Supervisors, senior management personnel of the Company) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

(b) An applicant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If an applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

(c) Unless otherwise provided by laws and administrative regulations, the laws of the PRC shall apply to the settlement of any disputes or claims that are resolved by arbitration described in item (a) above.

(d) The award of the arbitration institution shall be final and binding upon all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The predecessor of our Company, Pharmaron Beijing Ltd. (康龍化成(北京) 新藥技術有限公司) was established in the PRC on July 1, 2004. Our registered address and our principal place of business is at 8th Floor, Block 1, 6 Tai-He Road, Beijing Economic Technological Development Area, Beijing, China.

We have established a place of business in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on August 12, 2019 under the English corporate name of "Pharmaron Beijing Co., Ltd." and Chinese corporate name of 康龍化成(北京)新藥技術股份有限公司. Ms. MAK Po Man Cherie, our company secretary, is the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices V and VI to this prospectus.

B. Changes in the Share Capital of our Company

Upon the establishment of our Company on July 1, 2004, our registered capital was RMB3,000,000. The major changes to our registered capital are as follows:

(1) on July 1, 2005, the registered capital of our Company was increased from RMB3,000,000 to RMB5,000,000;

(2) on February 7, 2006, the registered capital of our Company was increased from RMB5,000,000 to RMB8,000,000;

(3) on April 26, 2007, the registered capital of our Company was increased from RMB8,000,000 to RMB33,000,000;

(4) on December 5, 2007, the registered capital of our Company was increased from RMB33,000,000 to RMB90,000,000;

(5) on June 12, 2010, the registered capital of our Company was increased from RMB90,000,000 to RMB125,000,000;

(6) on October 27, 2015, the registered capital of our Company was increased from RMB125,000,000 to RMB161,205,527;

(7) on January 12, 2016, the registered capital of our Company was increased from RMB161,205,527 to RMB200,536,422;

(8) on February 4, 2016, the registered capital of our Company was increased from RMB200,536,422 to RMB211,887,540;

(9) on October 27, 2016, our Company converted RMB500,000,000 out of its then net asset of RMB938,500,686.3 into 500,000,000 Shares of RMB1.0 par value each and issued to the then Shareholders on a pro rata basis. The remaining amount of RMB438,500,686.3 was converted to capital reserve. Upon the completion of this capital increase, the total registered capital of our Company amounted to RMB500,000,000;

(10) on November 23, 2016, the registered capital of our Company was increased from RMB500,000,000 to RMB590,663,575; and

(11) on January 28, 2019, the registered capital of our Company was increased from RMB590,663,575 to RMB656,293,575 after our A Share Offering.

Immediately following the completion of the Global Offering and assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees have been issued before completion of the Global Offering and that no options are granted or exercised under the A Share Incentive Scheme, but without taking into account any H Shares which may be issued upon the exercise of the Over-allotment Option, our registered capital will increase to RMB776,907,062, comprising 660,370,962 A Shares and 116,536,100 H Shares fully paid up or credited as fully paid up, representing approximately 85% and 15% of our registered capital, respectively.

Save as disclosed in this prospectus, there has been no other alteration in the share capital of our Company during the two years preceding the date of this prospectus.

C. Resolutions Passed by Our Shareholders' General Meeting in Relation to the Global Offering

At the extraordinary general meeting of the Shareholders held on August 15, 2019, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the proposed number of H Shares to be offered initially shall not exceed 15% of the total issued number of shares as enlarged by the H Shares to be issued pursuant to the Global Offering and before the exercise of the Over-allotment Option. The number of H Shares to be issued pursuant to the exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially pursuant to the Global Offering;

(c) the issue price of the H Shares will be determined after due consideration of the interests of existing Shareholders, the acceptance of investors and issuance risks and in accordance with international practices through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets;

(d) the H Shares shall be issued to overseas investors, and other eligible domestic investors;

(e) the method of offering shall be by way of a public offer for subscription in Hong Kong and an international offering to institutional and professional investors;

(f) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares; and

(g) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

D. Changes in Share Capital of our Material Subsidiaries

Save as disclosed below, there has been no alteration in the share capital of any of our material subsidiaries within the two years immediately preceding the date of this prospectus.

CR Medicon

On July 17, 2018, the registered capital of CR Medicon was increased from USD6,000,000 to USD7,800,000.

On March 4, 2019, the registered capital of CR Medicon was increased from USD7,800,000 to USD10,500,000.

On May 14, 2019, the registered capital of CR Medicon was increased from USD10,500,000 to USD13,500,000.

Nanjing Ximaidi

On March 15, 2018, the registered capital of Nanjing Ximaidi increased from RMB1,000,000 to RMB20,000,000.

On May 27, 2019, the registered capital of Nanjing Ximaidi increased from RMB20,000,000 to RMB80,000,000.

Pharmaron UK Limited

On October 6, 2017, the registered capital of Pharmaron UK Limited increased from £14,990.69 to £15,983.6399.

On October 25, 2017, the registered capital of Pharmaron UK Limited increased from £15,983.6399 to £16,100.

On August 20, 2018, the registered capital of Pharmaron UK Limited increased from £16,100 to £16,583.

On June 26, 2019, the registered capital of Pharmaron UK Limited increased from £16,583 to £17,431.91.

Pharmaron Ningbo Tech

On August 16, 2019, the registered capital of Pharmaron Ningbo Tech increased from RMB125,000,000 to RMB325,000,000.

Pharmaron Tianjin

On September 9, 2019, the registered capital of Pharmaron Tianjin was increased from RMB327,625,146.21 to RMB400,000,000.

On October 28, 2019, the registered capital of Pharmaron Tianjin was increased from RMB400,000,000 to RMB420,000,000.

E. Reorganization

Please refer to the section headed "History and Corporate Structure" in this prospectus.

F. Further Information about Our Subsidiaries

Below sets forth the list of our subsidiaries in the PRC as of the Latest Practicable Date:

No.	Name of company	Shareholder(s)	Shareholding	Authorized share capital/ registered capital	Date of establishment
1.	Pharmaron TSP	Our Company	100%	RMB138,514,186.18	January 11, 2006
2.	Pharmaron Tianjin	Our Company	100%	RMB420,000,000	July 16, 2008
3.	Pharmaron Xi'an	Our Company	100%	USD10,000,000	May 11, 2010
4.	Pharmaron Ningbo	Our Company	100%	RMB100,000,000	January 9, 2015
5.	Pharmaron Shaoxing	Our Company	100%	RMB100,000,000	January 3, 2017
6.	Pharmaron Shanghai	Our Company	100%	RMB20,000,000	February 11, 2018
7.	CR Medicon	Our Company	55.56%	USD13,500,000	February 7, 2018
		Yu Wu	23.04%		
		Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership) (南京賽諾邁康企業管理合夥企業(有限合夥))	14.73%		
		Nanjing Xiya Enterprise Management Partnership (Limited) (南京希雅企業管理合夥企業(有限公司))	6.67%		
8.	Nanjing Ximaidi	CR Medicon	100%	RMB80,000,000	January 20, 2017
9.	Beijing Xirui	Nanjing Ximaidi	100%	RMB5,000,000	September 30, 2018
10.	Pharmaron CRI	Pharmaron Ningbo	100%	RMB1,000,000	August 18, 2016
11.	Pharmaron Ningbo Tech	Our Company	61.54%	RMB325,000,000	January 12, 2015
		Pharmaron Ningbo	38.46%		
12.	Pharmaron Ningbo Biologics	Pharmaron Biologics HK	100%	RMB50,000,000	August 31, 2018

Below sets forth the list of our subsidiaries outside the PRC as of the Latest Practicable Date:

No.	Name of company	Shareholder(s)/ Partner	Shareholding/ Partnership	Registered capital/ Issued share capital/capital contribution	Place of Establishment	Date of establishment
1.	Pharmaron, Inc.	Pharmaron US, Inc.	100%	100 shares	United States	December 22, 2006
2.	Pharmaron US, Inc.	Our Company	100%	100 shares	United States	August 12, 2015
3.	Pharmaron ABS	Pharmaron HK International	100%	1,500 shares	United States	October 31, 2001
4.	Pharmaron CPC	Pharmaron HK International	80%	100,000 shares	United States	October 7, 2004
5.	Pharmaron HK International	Our Company	100%	10,000 shares	Hong Kong	December 31, 2015
6.	Pharmaron HK Investment	Pharmaron HK International	100%	10,000 shares	Hong Kong	February 11, 2016
7.	Pharmaron UK	Pharmaron HK International	100%	54,136,364 shares	United Kingdom	October 30, 2013
8.	Pharmaron UK Radiochemicals	Pharmaron UK	100%	1 share	United Kingdom	April 9, 2009
9.	Pharmaron UK Bioresearch	Pharmaron UK	100%	10 shares	United Kingdom	August 7, 2000
10.	Pharmaron Biologics HK	Pharmaron HK International	100%	50,000 shares	Hong Kong	June 11, 2018
11.	CR Medicon Research	Nanjing Ximaidi	100%	10,000 shares	United States	February 9, 2019

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a series B preferred unit purchase agreement dated December 21, 2017 entered into among Matrix Capital Management Master Fund, LP, Viking Global Opportunities Illiquid Investments Sub-Master LP, Mayo Clinic, Perceptive Life Sciences Master Fund LTD, Pharmaron (Hong Kong) Investments Limited, Poseidon Medical HK Limited, Alexandria Venture Investments, LLC and Weisbrod Family Office, LLC (collectively, the "Zeno Series B Investors") and Zeno Pharma, LLC ("Zeno") pursuant to which, among others, Pharmaron (Hong Kong) Investments Limited agreed to purchase 241,351 series B preferred units in Zeno at a consideration of US$3,000,000;

(b) an investors' rights agreement dated December 21, 2017 entered into among the Zeno Series B Investors, Justin Liu Trust dated July 29, 1998, The Emily F. Liu Trust, Robert Seidler Revocable Trust, Robert Seidler Trustee, Matthew Seidler Revocable Trust, Matthew Seidler Trustee, Frank Yang, Ungar Chih-Ann Kung (collectively the "Zeno Investors"), Zeno and Zeno Pharmaceuticals, Inc., with respect to, among others, the rights of the investors to cause Zeno to register common stock issuable to the investors, receive certain information and to participate in future securities offerings;

(c) a right of first refusal and co-sale agreement dated December 21, 2017 entered into among Kevin D. Bunker, Essex Group International, LLC, Cam Gallagher, Ahmed Samatar, SciClone Pharmaceuticals International (Cayman) Development Ltd., Anthony Y. Sun, M.D., Zeno Pharma Holdings, LLC (collectively the "Zeno Key Holders"), Zeno, Zeno Pharmaceuticals, Inc. and the Zeno Investors, pursuant to which, among others, the Zeno Key Holders granted a secondary right of first refusal and right of co-sale to the Zeno Investors with respect to transfer of units owned by the Zeno Key Holders;

(d) a voting agreement dated December 21, 2017 entered into among Zeno, Zeno Pharmaceuticals, Inc., the Zeno Investors and the Zeno Key Holders with respect to, among others, the election of the board of directors of Zeno and voting on certain corporate matters;

(e) a capital increase agreement of Nanjing Sirui Biotechnology Co., Ltd. (南京思睿生物科技有限公司) ("CR Medicon") dated May 18, 2018 entered into among CR Medicon, Nanjing Ximaidi Medical Technology Co., Ltd. (南京希麥迪醫藥科技有限公司), Yu Wu, Xinjiang Xiya Equity Investment Management Partnership (Limited Partnership) (新疆希亞股權投資管理合夥企業(有限合夥)), Nanjing Xiya Enterprise Management Partnership (Limited Partnership) (南京希雅企業管理合夥企業(有限合夥)), Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership) (南京賽諾邁康企業管理合夥企業(有限合夥)) and our Company (the "CR Medicon Capital Increase Agreement") pursuant to which, among others, our Company agreed to subscribe for the increased registered capital of CR Medicon of US$1,800,000 at a consideration of RMB30,000,000, after which CR Medicon was owned as to approximately 23.0769% by our Company;

(f) a capital increase agreement of CR Medicon (amended and restated on October 31, 2018) dated October 31, 2018 entered into among CR Medicon, Nanjing Ximaidi Medical Technology Co., Ltd. (南京希麥迪醫藥科技有限公司), Yu Wu, Nanjing Xiya Enterprise Management Partnership (Limited Partnership) (南京希雅企業管理合夥企業(有限合夥)), Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership) (南京賽諾邁康企業管理合夥企業(有限合夥)) and our Company (the "CR Medicon October 31, 2018 Amendment Agreement") pursuant to which, among others, the CR Medicon Capital Increase Agreement was amended and restated and our Company agreed to subscribe for the increased registered capital of CR Medicon of US$2,700,000 at a consideration of RMB45,000,000, after which CR Medicon was owned as to approximately 42.86% by our Company;

(g) a series B preferred stock purchase agreement dated March 15, 2019 entered into among Amgen Ventures LLC, Clarus Lifesciences III, L.P., Celgene Corporation, Frazier Healthcare VII, L.P., Frazier Healthcare VII-A, L.P., MRL Ventures Fund LLC, Merck Sharp & Dohme Corp., Poseidon Medical HK Limited, Greenspring Early Stage I, L.P., Greenspring Early Stage I-G, L.P., Pharmaron (Hong Kong) Investments Limited, Omega Fund VI, L.P. (collectively the "Imago Series B Investors") and Imago BioSciences, Inc. ("Imago") pursuant to which, among others, Pharmaron (Hong Kong) Investments Limited agreed to, subject to the conditions therein, purchase a total of 4,411,765 series B preferred stock of Imago for a total consideration of US$3,000,000.20 over two tranches;

(h) an amended and restated investors' rights agreement dated March 15, 2019 entered into among the Imago Series B Investors, Amgen Investments Ltd. (collectively the "Imago Investors") and Imago with respect to, among others, the rights of the qualifying investors to cause Imago to register common stock issuable to the investors, receive certain information and to participate in future shares offerings;

(i) an amended and restated right of first refusal and co-sale agreement dated March 15, 2019 entered into among Hugh Y. Rienhoff, Jr., Laura G. Eichorn (collectively the "Imago Key Holders"), Imago and the Imago Investors pursuant to which, among others, the Imago Key Holders granted a secondary right of first refusal and right of co-sale to the qualifying investors with respect to transfer of shares owned by the Imago Key Holders subject to certain conditions;

(j) an amended and restated voting agreement dated March 15, 2019 entered into among Imago, the Imago Investors and the Imago Key Holders with respect to, among others, the election of the board of directors of Imago and voting on certain corporate matters;

(k) a capital increase agreement dated March 15, 2019 entered into among Shanghai Kejun Pharmaceutical Technology Co., Ltd. (上海柯君醫藥科技有限公司) ("Shanghai Kejun"), He Gongxin (何公欣), Guangzhou Henghui Pharmaceutical Technology Partnership (Limited Partnership) (廣州恒惠醫藥科技合夥企業(有限合夥)), Shanghai Keshen Pharmaceutical Technology Partnership (Limited Partnership) (上海柯申醫藥科技合夥企業(有限合夥)), Suzhou Jianxin Hankang Venture Capital Partnership (Limited Partnership) (蘇州建信漢康創業投資合夥企業(有限合夥)), our Company and Hangzhou Taige Equity Investment Partnership (Limited Partnership) (杭州泰格股權投資合夥企業(有限合夥)) pursuant to which, among others, our Company agreed to subscribe for the increased registered capital of Shanghai Kejun of RMB1,125,000 at a consideration of RMB10,000,000, after which Shanghai Kejun was owned as to approximately 9.091% by our Company;

(l) a capital increase agreement of CR Medicon (amended and restated on April 19, 2019) dated April 19, 2019 between CR Medicon, Nanjing Ximaidi Medical Technology Co., Ltd. (南京希麥迪醫藥科技有限公司), Yu Wu, Nanjing Xiya Enterprise Management Partnership (Limited Partnership) (南京希雅企業管理合夥企業(有限合夥)), Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership) (南京賽諾邁康企業管理合夥企業(有限合夥)) and our Company pursuant to which, among others, the CR Medicon Capital Increase Agreement (as amended and restated by the CR Medicon October 31, 2018 Amendment Agreement) was further amended and restated and our Company agreed to subscribe for the increased registered capital of CR Medicon of US$3,000,000 at a consideration of RMB75,000,000, after which CR Medicon was owned as to approximately 55.56% by our Company;

(m) an investment agreement dated May 17, 2019 between Liu Yang (劉洋), Qiu Shuanjun (邱雙軍) (collectively the "LinkStart Vendors"), our Company, Yu Yuejiang (郁岳江) and Beijing LinkStart Biotechnology Co., Ltd. (北京聯斯達醫藥科技發展有限公司) ("LinkStart") pursuant to which, among others, our Company agreed to acquire from the LinkStart Vendors the registered capital of RMB1,200,000 of LinkStart held by them at a total consideration of RMB120,000,000;

(n) a shareholder agreement dated May 17, 2019 between LinkStart, the LinkStart Vendors, Yu Yuejiang (郁岳江), Beijing Deshu Enterprise Management Center (Limited Partnership) (北京德數企業管理中心(有限合夥)) and our Company with respect to, among others, transfer restriction of interest in LinkStart, the election of the board of directors of LinkStart and right to receive certain information related to LinkStart;

(o) a cornerstone investment agreement dated November 9, 2019 entered into among our Company, China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司), CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司), Orient Capital (Hong Kong) Limited (東方融資(香港)有限公司) and Orient Securities (Hong Kong) Limited (東方證券(香港)有限公司), pursuant to which China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased with US$40,000,000;

(p) a cornerstone investment agreement dated November 9, 2019 entered into among our Company, Lake Bleu Prime Healthcare Master Fund Limited, Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司), CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司), Orient Capital (Hong Kong) Limited (東方融資(香港)有限公司) and Orient Securities (Hong Kong) Limited (東方證券(香港)有限公司), pursuant to which Lake Bleu Prime Healthcare Master Fund Limited has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased with US$40,000,000;

(q) a cornerstone investment agreement dated November 9, 2019 entered into among our Company, OrbiMed Partners Master Fund Limited ("OrbiMed Partners"), Worldwide Healthcare Trust PLC ("Worldwide Healthcare"), OrbiMed Global Healthcare Master Fund, L.P. ("OrbiMed Global"), OrbiMed Genesis Master Fund, L.P. ("OrbiMed Genesis"), Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司), CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司), Orient Capital (Hong Kong) Limited (東方融資(香港)有限公司) and Orient Securities (Hong Kong) Limited (東方證券(香港)有限公司), pursuant to which OrbiMed Partners, Worldwide Healthcare, OrbiMed Global and OrbiMed Genesis have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased with US$8,180,000, US$15,492,000, US$4,328,000 and US$2,000,000, respectively;

(r) a cornerstone investment agreement dated November 9, 2019 entered into among our Company, Athos Asia Event Driven Master Fund, Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司), CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司), Orient Capital (Hong Kong) Limited (東方融資(香港)有限公司) and Orient Securities (Hong Kong) Limited (東方證券(香港)有限公司), pursuant to which Athos Asia Event Driven Master Fund has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased with US$25,000,000;

(s) a cornerstone investment agreement dated November 9, 2019 entered into among our Company, Oaktree Capital Management, L.P., Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司), CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司), Orient Capital (Hong Kong) Limited (東方融資(香港)有限公司) and Orient Securities (Hong Kong) Limited (東方證券(香港)有限公司), pursuant to which the investors represented by Oaktree Capital Management, L.P. have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased with US$25,000,000; and

(t) the Hong Kong Underwriting Agreement.

B. Share Incentive Schemes

We have adopted the A share incentive scheme (the "A Share Incentive Scheme") to provide incentives to our employees. The purpose of the A Share Incentive Scheme is to establish and improve long-term corporate incentive systems of our Group, attract and retain talent, motivate the employees of our Group, effectively align the interests of our Shareholders, our Group and the employees of our Group and enabling the respective parties to become aware of our Group's long-term development, and to promote the realization of the development strategies of our Group. To the extent that the A Share Incentive Scheme falls under Chapter 17 of the Hong Kong Listing Rules, we will comply with the relevant requirements thereunder.

Set forth below is a summary of the principal terms of the A Share Incentive Scheme:

A Share Incentive Scheme

Scope of Participants

The total number of grantees who have been granted and who have taken up the relevant Restricted A Shares under the A Share Incentive Scheme (the "Participants") is 227, including:

1. senior-level management of our Company (not including members of our senior management);

2. mid-level managers and backbone members of our technicians; and

3. basic-level managers and other technicians.

The Participants shall not include independent Directors, Supervisors or Shareholder(s) holding solely or jointly 5% of our Shares or above, or the de facto controllers (as defined under the relevant PRC laws and regulations), as well as their spouses, parents and children.

Validity Period of the A Share Incentive Scheme

The A Share Incentive Scheme was approved by Shareholders' meeting and became effective on August 15, 2019. The Shares to be granted under the A Share Incentive Scheme consist of Restricted A Shares and share options. The date of the initial grant of the Restricted A Shares (the "Initial Grant of the Restricted A Shares" or the "Initial Grant") was October 30, 2019. The A Share Incentive Scheme shall remain effective from the date of the Initial Grant of the Restricted A Shares through the date on which all the Restricted A Shares have been unlocked or canceled, or all of the share options granted have been exercised or canceled, but in any event shall not be more than 48 months.

Source of Shares under the A Share Incentive Scheme and Allocations of Restricted A Shares granted under the Initial Grant

The interests under the A Share Incentive Scheme shall be ordinary A Shares. The number of Shares that may be granted under the A Share Incentive Scheme shall be 5,651,359 Shares, representing 0.86% of the Company's total share capital of 656,293,575 Shares as of the Latest Practicable Date.

On July 29, 2019, the Board resolved to grant 4,521,087 Restricted A Shares, representing approximately 80% of the Shares available under the A Share Incentive Scheme. As of the Latest Practicable Date, 4,077,387 Restricted A Shares had been granted, representing 0.62% of the share capital of our Company as of the Latest Practicable Date, while the other Restricted A Shares granted were not taken up. The remaining 20%, being 1,130,272 A Shares shall be reserved for further option grants ("Reserved Share Options").

Validity Period of the Initial Grant of the Restricted A Shares

The Initial Grant of the Restricted A Shares is valid from the date on which the registration of the Restricted A Shares granted under the Initial Grant is completed (the "Registration Date") to the date on which all the Restricted A Shares granted under the Initial Grant have been unlocked or canceled, but in any event shall not be more than 48 months.

Lock-Up Period and Unlocking Period of the Restricted A Shares granted under the Initial Grant

The Restricted A Shares granted under to the Initial Grant will be locked up for 12, 24 and 36 months (each, a "Lock-Up Period") from the Registration Date. During the Lock-up Period, the Restricted A Shares held by the Participants pursuant to the Initial Grant of the Restricted A Shares shall not be transferred, pledged for guarantees or used for repayment of debt.

The unlocking periods (each, an "Unlocking Period") in relation to the Restricted A Shares granted under the Initial Grant are as follows:

	Unlocking Period	Proportion of unlocking
First Unlocking Period . . .	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	40%
Second Unlocking Period. .	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	30%
Third Unlocking Period . . .	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	30%

If the unlocking conditions are not fulfilled during the respective Unlocking Period, our Company shall repurchase at the grant price ("Grant Price") and cancel the Restricted A Shares held by the Participants.

Black-out Period of the Restricted A Shares granted under the Initial Grant

The black-out period of the Restricted A Shares granted under the Initial Grant shall follow applicable PRC laws and regulations and the Articles of Association. The key provisions are set out as follows:

1. Any Participant shall not transfer the Restricted A Shares which fulfill the Unlocking Conditions to any third party in any form within the six months from the expiration of each Unlocking Period.

2. Where the Participant is a Director or member of the senior management, the number of Shares which may be transferred by the Participant per year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her. He/she shall not transfer any of his/her Shares within six months after his/her departure from our Group.

3. Where the Participant is a Director or a member of senior management, all gains from the sale of Shares within six months of purchase or from the purchase of Shares within six months of sale by the Participant shall belong to the Company and to be collected by the Board.

Grant Price of the Restricted A Shares and the Basis of Determination

The Grant Price of the Restricted A Shares under the Initial Grant of the Restricted A Shares is RMB17.85 per Share. Upon fulfillment of Grant conditions, each Participant is entitled to purchase newly issued Restricted A Shares at the price of RMB17.85 per Share.

The Grant Price of the Restricted A Shares under the Initial Grant of the Restricted A Shares is not lower than the higher of the following: (i) 50% of the average trading price of the A Shares on the trading day preceding July 29, 2019, the date of announcement of the A Share Incentive Scheme, and (ii) 50% of the average trading prices of the A Shares for the last 60 trading days preceding the date of announcement of the A Share Incentive Scheme.

Conditions of the Initial Grant of the Restricted A Shares and Unlocking of the Restricted A Shares

The following conditions must be fulfilled before the Company can grant the Restricted A Shares under the Initial Grant, or the Restricted A Shares granted under the Initial Grant of the Restricted A Shares can be unlocked:

(I) None of the following circumstances has occurred to the Company (or in the case of unlocking the granted Restricted A Shares, before each Unlocking Period):

1. issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;

2. issue of the Company's financial internal control report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;

3. the Company has distributed profit in violation of the relevant laws and regulations, Articles of Associations or public undertakings within the most recent 36 months;

4. the implementation of the share incentive scheme is forbidden by the relevant laws and regulations; and

5. other circumstances as determined by the CSRC.

(II) None of the following circumstances has occurred to the Participant (or in the case of unlocking the granted Restricted A Shares, before each Unlocking Period):

1. such Participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;

2. such Participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;

3. such Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its agency authorities due to material non-compliance of relevant laws and regulations in the most recent 12 months;

4. occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the PRC Company Law;

5. such Participant is prohibited by the law from participating in equity incentive scheme of listed companies; and

6. other circumstances as determined by the CSRC.

In addition, the following performance requirements must be fulfilled for unlocking of the Restricted A Shares pursuant to the Initial Grant of the Restricted A Shares:

Unlocking Period	Performance indicators
First Unlocking Period	The growth rate of operation income for 2019 is not less than 15% of that of 2018
Second Unlocking Period . . .	The growth rate of operation income for 2020 is not less than 30% of that of 2018
Third Unlocking Period	The growth rate of operation income for 2021 is not less than 45% of that of 2018

Further, the Company will conduct a personal performance appraisal of the Participant, which will be used as a basis for unlocking the Restricted A Shares granted. The Restricted A Shares may only be unlocked if the Participant received a passing grade on his or her personal performance appraisal for the previous year.

Mechanism of Adjusting the Number of Restricted A Shares granted under the Initial Grant of the Restricted A Shares

During the period from the date of the announcement of the A Share Incentive Scheme on the Shenzhen Stock Exchange to Registration Date, in the event of any conversion of capital reserve, bonus shares issue, sub-division, consolidation or rights issue in relation to the Shares of the Company, adjustment to the number of Restricted A Shares to be granted and the number of Restricted A Shares to be repurchased shall be made by the Company accordingly. The mechanism of adjustment is set out below:

1. Conversion of capital reserve, bonus shares issue and sub-division of Shares

$$Q = Q_0 \times (1+n)$$

Where: "Q_0" represents the number of Restricted A Shares before the adjustment; "n" represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus shares issue or sub-division of Shares (i.e. the number of Shares increased per Share upon issue of Shares by conversion of capital reserve, bonus shares issue or sub-division of Shares); "Q" represents the adjusted number of Restricted A Shares.

2. Consolidation of Shares

$$Q = Q_0 \times n$$

Where: "Q_0" represents the number of Restricted A Shares before the adjustment; "n" represents the ratio of consolidation of Shares (i.e. one Share of the Company shall be consolidated into n Shares); "Q" represents the adjusted number of Restricted A Shares.

3. Rights issue

$$Q = Q_0 \times (1+n)$$

Where: "Q_0" represents the number of Restricted A Shares before the adjustment; "n" represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue); "Q" represents the adjusted amount of Restricted A Shares.

Mechanism of Adjusting the Grant Price of the Restricted A Shares granted under the Initial Grant of the Restricted A Shares

During the period from the date of the announcement of the A Share Incentive Scheme on the Shenzhen Stock Exchange to the Registration Date, in the event of any dividend distribution, conversion of capital reserve, bonus shares issue, sub-division, consolidation or rights issue in relation to the Shares of the Company, adjustment to the Grant Price or the repurchase price of the Restricted A Shares shall be made by the Company accordingly. The mechanism of adjustment is set out below:

1. Conversion of capital reserve, bonus shares issue and sub-division of Shares

$$P = P_0/(1+n)$$

Where: "P_0" represents the Grant Price or repurchase price before the adjustment; "n" represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus shares issue and sub-division of Shares to each Share; "P" represents the adjusted Grant Price or repurchase price.

2. Consolidation of Shares

$$P = P_0/n$$

Where: "P_0" represents the Grant Price or repurchase price before the adjustment; "n" represents the ratio of consolidation of Shares; "P" represents the adjusted Grant Price or repurchase price.

3. Dividend distribution

$$P = P_0 - V$$

Where: "P_0" represents the Grant Price or repurchase price before the adjustment; "V" represents the dividend per Share; "P" represents the adjusted Grant Price or repurchase price.

4. Rights issue

$$P = (P_0 + P_1 \times n)/(1+n)$$

Where: "P_0" represents the Grant Price or repurchase price before the adjustment; "P_1" represents the price of the rights issue; "n" represents the ratio of the rights issue; "P" represents the adjusted Grant Price or repurchase price.

The Board shall adjust the Grant Price, repurchase price and the number of the Restricted A Shares under the authorization from the Shareholders' meeting of the Company. The Board shall make timely announcement after making adjustment to the number of the Restricted A Shares and the Grant Price in accordance with the abovementioned provisions. The Company shall engage a legal adviser and independent financial adviser to provide professional advice to the Board whether such adjustment is fair and reasonable and in compliance with the relevant laws and regulations, the Articles of Association and the A Share Incentive Scheme.

Grant Price of the Reserved Share Options

The grant price of the Reserved Share Options shall not be lower than the nominal value of the Shares, and not lower than the higher of the following:

1. the average trading price of the A Shares on the trading day preceding the date of announcement of the grant of the Reserved Share Options; or

2. the average trading price of the A Shares for the last 60 trading days preceding the date of announcement of the grant of the Reserved Share Options.

Arrangements in relation to the Reserved Share Options

As of the Latest Practicable Date, 20% of Shares under the A Share Incentive Scheme, being 1,130,272 Shares are reserved as Reserved Share Options, representing 0.17% of the total share capital of our Company.

The Reserved Share Options are valid from the date on which the Reserved Share Options are granted, to the date on which they have been unlocked, exercised or canceled, but in any event shall not be more than 48 months.

The unlocking and exercise of the Reserved Share Options follow that of the Restricted A Shares granted under the Initial Grant in addition to certain performance indicators as set out below. For details, please see the paragraph headed "—Conditions of the Initial Grant of the Restricted A Shares and Unlocking of the Restricted A Shares" in this section. The performance indicators in relation to the Reserved Share Options include:

Unlocking period	Performance indicators
First Unlocking Period/exercise period	The growth rate of operation income for 2020 is not less than 30% of that of 2018
Second Unlocking Period/exercise period	The growth rate of operation income for 2021 is not less than 45% of that of 2018

The lock-up period, unlocking period, black-out period arrangements and the mechanisms for adjusting the Reserved Share Options are the same as that of the Initial Grant. For details, please refer to the paragraphs headed "—B. Share Incentive Scheme—A Share Incentive Scheme—Lock-Up Period and Unlocking Period of the Restricted A Shares granted under the Initial Grant", "—B. Share Incentive Scheme—Black-out Period of the Restricted A Shares granted under the Initial Grant" and "—B. Share Incentive Scheme—Mechanism of Adjusting the Number of Restricted A Shares granted under the Initial Grant of the Restricted A Shares".

Procedures of Grant of the Restricted A Shares

The A Share Incentive Scheme was approved at the Shareholders' meeting on August 15, 2019. On October 25, 2019, a board meeting was convened to consider whether the Participants have fulfilled the conditions for the grant of the rights pursuant to the A Share Incentive Scheme and determine the Grant Date for the Initial Grant of the Restricted A Shares. Any subsequent grant will be determined at a board meeting and fulfill any announcement obligations. The registration and announcement in relation to the Grant shall be completed within 60 days of the approval of the A Share Incentive Scheme by the Shareholders' meeting.

Procedures of Unlocking of the Restricted A Shares

Before the expiration of each Lock-up Period of the Restricted A Shares, the Board shall consider whether the Unlocking Conditions have been fulfilled and the independent Directors and Supervisory Committee shall express their relevant views. Our Company's legal adviser shall issue legal opinions on whether the Unlocking Conditions for the Restricted A Shares have been fulfilled.

Our Company shall apply to the relevant stock exchange for the unlocking of the Restricted A Shares to Participants, and apply to the relevant registration and settlement agent for the registration and settlement matters.

Procedures of Exercising of the Reserved Shares Options

The Participants may, within the exercise periods, apply to the Board to exercise their Reserved Share Options. The Board shall consider whether the Unlocking Conditions have been fulfilled and the independent Directors and Supervisory Committee shall express their relevant views. Our Company's legal adviser shall issue legal opinions on whether the Unlocking Conditions for the Reserved Shares Options have been fulfilled.

Our Company shall apply to the relevant registration and settlement agent for the registration and settlement matters.

Amendment or termination of the A Share Incentive Scheme

Any amendment or termination of the A Share Incentive Scheme shall be submitted to the Board and shareholders for consideration. The independent Directors and Supervisory Committee shall express their relevant views and our Company's legal adviser shall provide professional advice to the Board whether such adjustment is fair and reasonable and in compliance with the A Share Incentive Scheme and the relevant laws and regulations. All relevant disclosures shall be made in a timely manner. Any amendment that results in early exercise or unlocking or lowers the exercise price or grant price is prohibited.

C. Our Intellectual Property Rights

As of the Latest Practicable Date, our Company has registered, or has applied for the registration of the following intellectual property rights which were material to our Group's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks in the PRC which we considered to be material to our business:

No.	Owner	Trademark	Registration No.	Class	Validity Period
1.	Our Company	PHARMARON	26474505	2	September 7, 2018 to September 6, 2028
2.	Our Company	PHARMARON	26477566	11	September 7, 2018 to September 6, 2028
3.	Our Company	PHARMARON	26432149	35	January 28, 2019 to January 27, 2029
4.	Our Company	PHARMARON	26467378	37	September 7, 2018 to September 6, 2028
5.	Our Company	PHARMARON	26439569	40	September 7, 2018 to September 6, 2028
6.	Our Company	PHARMARON	26439929	42	September 7, 2018 to September 6, 2028
7.	Our Company	PHARMARON	26436631	44	September 7, 2018 to September 6, 2028
8.	Our Company	PHARMARON	26466391	2	September 7, 2018 to September 6, 2028
9.	Our Company	PHARMARON	26477571	11	September 7, 2018 to September 6, 2028
10.	Our Company	PHARMARON	26439727	35	January 28, 2019 to January 27, 2029
11.	Our Company	PHARMARON	26455273	37	September 7, 2018 to September 6, 2028
12.	Our Company	PHARMARON	26449477	40	September 7, 2018 to September 6, 2028
13.	Our Company	PHARMARON	26448784	42	September 7, 2018 to September 6, 2028
14.	Our Company	PHARMARON	26443987	44	September 7, 2018 to September 6, 2028
15.	Our Company	康龙化成	26445718	1	September 7, 2018 to September 6, 2028
16.	Our Company	康龙化成	26471977	2	September 7, 2018 to September 6, 2028
17.	Our Company	康龙化成	26437590	7	September 7, 2018 to September 6, 2028
18.	Our Company	康龙化成	26445277	9	September 7, 2018 to September 6, 2028
19.	Our Company	康龙化成	26477544	11	September 7, 2018 to September 6, 2028
20.	Our Company	康龙化成	26431345	35	September 7, 2018 to September 6, 2028
21.	Our Company	康龙化成	26467357	37	September 7, 2018 to September 6, 2028
22.	Our Company	康龙化成	26437303	40	September 7, 2018 to September 6, 2028
23.	Our Company	康龙化成	26427441	44	September 7, 2018 to September 6, 2028
24.	Our Company		26443344	1	September 7, 2018 to September 6, 2028
25.	Our Company		26458660	2	September 7, 2018 to September 6, 2028

No.	Owner	Trademark	Registration No.	Class	Validity Period
26.	Our Company		26432741	5	September 7, 2018 to September 6, 2028
27.	Our Company		26434348	7	September 7, 2018 to September 6, 2028
28.	Our Company		26442377	9	September 7, 2018 to September 6, 2028
29.	Our Company		26440540	10	September 7, 2018 to September 6, 2028
30.	Our Company		26471229	11	September 7, 2018 to September 6, 2028
31.	Our Company		26437467	35	September 7, 2018 to September 6, 2028
32.	Our Company		26464736	37	September 7, 2018 to September 6, 2028
33.	Our Company		26447162	40	September 7, 2018 to September 6, 2028
34.	Our Company		26437677	42	September 7, 2018 to September 6, 2028
35.	Our Company		26437398	44	September 7, 2018 to September 6, 2028
36.	Our Company	康龙化成 PHARMARON	26462653	11	September 7, 2018 to September 6, 2028
37.	Our Company	康龙化成 PHARMARON	26435378	35	January 28, 2019 to January 27, 2029
38.	Our Company	康龙化成 PHARMARON	26474149	37	September 7, 2018 to September 6, 2028
39.	Our Company	康龙化成 PHARMARON	26436570	40	September 7, 2018 to September 6, 2028
40.	Our Company	康龙化成 PHARMARON	26439668	44	September 7, 2018 to September 6, 2028
41.	Our Company	康龙化成 PHARMARON	26473174	2	September 7, 2018 to September 6, 2028
42.	Our Company	康龙化成	26466925	2	September 7, 2018 to September 6, 2028
43.	Our Company	康龙化成	26449004	9	September 7, 2018 to September 6, 2028

No.	Owner	Trademark	Registration No.	Class	Validity Period
44.	Our Company	康龙化成	26455168	11	September 7, 2018 to September 6, 2028
45.	Our Company	康龙化成	26460662	37	September 7, 2018 to September 6, 2028
46.	Our Company	康龙化成	26437474	35	September 7, 2018 to September 6, 2028
47.	Our Company	康龙化成	26437403	44	September 7, 2018 to September 6, 2028
48.	Our Company	康龙化成	26428467	40	September 7, 2018 to September 6, 2028
49.	Our Company	康龙化成	26440672	1	September 7, 2018 to September 6, 2028
50.	Our Company	康龙化成	26437603	7	September 7, 2018 to September 6, 2028
51.	Our Company	康龙化成 PHARMARON	26470848	37	September 7, 2018 to September 6, 2028
52.	Our Company	康龙化成 PHARMARON	26471185	2	September 7, 2018 to September 6, 2028
53.	Our Company	康龙化成 PHARMARON	26442288	40	September 7, 2018 to September 6, 2028
54.	Our Company	康龙化成 PHARMARON	26432790	44	September 7, 2018 to September 6, 2028
55.	Our Company	康龙化成 PHARMARON	26477576	11	September 7, 2018 to September 6, 2028

As of the Latest Practicable Date, we have registered the following trademarks in Hong Kong and overseas which we considered to be material to our business:

No.	Trademark	Owner	Registration No.	Registration Date	Registration Country/Region	Acquisition method	Other Rights
1.	PHARMARON	Pharmaron, Inc.	2,944,567	April 26, 2005	United States	Application	N/A
2.	CEDAR	Pharmaron, Inc.	3,602,269	April 7, 2009	United States	Application	N/A
3.	康龙化成 PHARMARON	Pharmaron, Inc.	4,627,573	October 28, 2014	United States	Application	N/A
4.	XCELERON	Pharmaron ABS	2,996,893	September 20, 2005	United States	Application	N/A
5.	XCELERON	Pharmaron ABS	UK00002278667	January 25, 2002	United Kingdom	Application	N/A
6.	康龙化成 PHARMARON	Pharmaron, Inc.	UK00003268472	March 9, 2018	United Kingdom	Application	N/A
7.	XCELERON	Pharmaron ABS	002589687	July 28, 2003	European Union	Application	N/A
8.	CBAMS Centre for Biomedical Accelerator Mass Spectrometry CBAMS	Pharmaron ABS	000692723	October 13, 1999	European Union	Application	N/A
9.	康龙化成 PHARMARON	Our Company	6093154	October 26, 2018	Japan	Application	N/A
10.	康龙化成 PHARMARON	Our Company	304932874	May 21, 2019	Hong Kong	Application	N/A

Patent

As of the Latest Practicable Date, we have registered the following patents within the PRC which we considered to be material to our business:

No.	Owner	Application/ Patent No.	Patent name	Patent Type	Application date	Patent Status	Acquisition method
1.	Our Company	2011102795086	The preparation and application of Steroidal azinidine analogue with D ring as dihydropyran ring	Invention	September 20, 2011	Valid	Transfer
2.	Our Company	2010100301053	Synthesis method of piperazinone nitrogen heterocyclic compound	Invention	January 5, 2010	Valid	Transfer
3.	Our Company	2007100548567	Preparation and application of chiral and achiral PCN clamped palladium compounds	Invention	July 27, 2007	Valid	Transfer
4.	Our Company	2008101407486	Preparation and application of catalyst for aldehyde or ketone by selective oxidation of alcohol by molecular oxygen	Invention	July 22, 2008	Valid	Transfer
5.	Our Company	2007100540705	Application of clamp-type bisimidazoline palladium compound Suzuki reaction	Invention	March 16, 2007	Valid	Transfer
6.	Our Company	2012102670812	A preparation method for chiral phosphine oxide	Invention	July 30, 2012	Valid	Transfer
7.	Our Company	201210271081X	Preparation and asymmetric catalytic application of chiral bisimidazoline clamp bismuth compound	Invention	July 31, 2012	Valid	Transfer

As of the Latest Practicable Date, we have registered the following patents outside the PRC which we considered to be material to our business:

No.	Owner	Patent No.	Patent Name	Application date	Acquisition method	Authorizing country
1.	Pharmaron UK Radiochemicals	US 7,807,040 B2	Recovery Process	May 9, 2013	Transfer	United States
2.	Pharmaron UK Radiochemicals	EP1509926	New Recovery Process	May 9, 2013	Application	European Union
3.	Pharmaron UK Radiochemicals	JP4549849	New Recovery Process	May 9, 2013	Transfer	Japan
4.	Pharmaron ABS	US 7,985,589	Quantification Of Analytes Using Accelerator Mass Spectrometry	July 26, 2011	Application	United States

Software copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which we considered to be material to our business:

No.	Copyright Owner	Registration No.	Software Name	Acquisition method	Scope of rights	Registration Date
1.	Pharmaron Tianjin	2019SR0509790	Finished product library management software V1.0 (成品庫管理軟件V1.0)	Original Acquisition	All	April 25, 2019
2.	Pharmaron Tianjin	2019SR0509553	Chemical raw material library management software (化工原料庫管理軟件)	Original Acquisition	All	May 8, 2019
3.	Pharmaron Tianjin	2019SR0509551	Pilot production research and development management software V1.0 (中試生產研發管控軟件V1.0)	Original Acquisition	All	April 10, 2019

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

B. Remuneration of Directors and Supervisors

For the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the total remuneration paid to our Directors amounted to RMB6.1 million, RMB7.0 million, RMB8.2 million and RMB3.0 million, respectively.

For the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the total remuneration paid to our Supervisors amounted to RMB1.4 million, RMB1.6 million, RMB2.0 million and RMB0.7 million, respectively.

Under the arrangement currently in force, we estimate the total fixed remuneration (before tax) payable to Directors and Supervisors for the year ending December 31, 2019 will be RMB11.1 million.

During the Track Record Period, no fees were paid by our Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Save as disclosed below, immediately following the completion of the Global Offering (assuming that all Restricted A Shares granted by our Company and taken up by the relevant eligible employees under the A Share Incentive Scheme have been issued before completion of the Global Offering, the Over-allotment Option is not exercised and no options are granted or exercised under the A Share Incentive Scheme) none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules to be notified to our Company, once the H Shares are listed on the Hong Kong Stock Exchange.

(a) Interest in Shares of the Company

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of shares/ underlying shares	Approximate percentage of shareholding interest
Dr. LOU[(1)]	Our Company	Interests held jointly with another person; interests of controlled corporation	187,423,105 A Shares	24.12%
Mr. LOU[(1)(2)]	Our Company	Beneficial owner; interests held jointly with another person; interests of controlled corporation; interests of spouse	187,423,105 A Shares	24.12%
Ms. ZHENG[(1)(2)]	Our Company	Interests held jointly with another person; interests of controlled corporation; interests of spouse	187,423,105 A Shares	24.12%

Notes:

(1) Dr. LOU, Mr. LOU and Ms. ZHENG have entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement), pursuant to which they have agreed to reach consensus on any proposal presented to the Board and the general meeting of the shareholders of the Company for voting (the "Voting Agreement"). Pursuant to the Voting Agreement, Dr. LOU, Mr. LOU and Ms. ZHENG are concert parties and they are deemed to be interested in each other's interests in our Company under the SFO.

(2) Mr. LOU and Ms. ZHENG are spouses.

Save as disclosed in this prospectus, up to the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of its associated corporations.

B. Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company. As of the Latest Practicable Date, we were not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

As of the Latest Practicable Date, so far as our Directors are aware, the following persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of members of our Group	Name of Shareholder	Approximate percentage of shareholding
CR Medicon	Yu Wu	23.04%
	Nanjing Sanomai Kang Enterprise Management Partnership (Limited Partnership) (南京賽諾邁康企業管理合夥企業(有限合夥))	14.73%
Pharmaron CPC, Inc.	Shin Nippon Biomedical Laboratories, Ltd.	20%

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(d) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Hong Kong Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

B. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any outstanding material litigation or arbitration which may have material and adverse effect on the Global Offering and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Goldman Sachs (Asia) L.L.C., being one of the Joint Sponsors, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

CLSA Capital Markets Limited does not satisfy the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules because (i) it is an indirect wholly-owned subsidiary of CITIC Securities Co. Ltd. (中信証券股份有限公司) ("CITIC Securities"); and (ii) the Company is owned as to 23.94% by Shenzhen Xinzhong Kangcheng Investment Partnership (Limited Liability Partnership) (深圳市信中康成投資合夥企業(有限合夥)) and 4.34% by Shenzhen Xinzhong Longcheng Investment Partnership (Limited Liability Partnership) (深圳市信中龍成投資合夥企業(有限合夥)), both of which are limited liability partnerships with CITIC M&A Fund Management Co., Ltd. (中信併購基金管理有限公司) ("CITIC M&A Fund Management") as the general partner. Gold Stone Investment Co., Ltd. (金石投資有限公司) ("Gold Stone") is the sole shareholder of CITIC M&A Fund Management and CITIC Securities is the sole shareholder of Gold Stone.

Orient Capital (Hong Kong) Limited does not satisfy the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules because Citi Orient Securities Co., Ltd. (東方花旗證券有限公司) ("Citi Orient"), which is also a subsidiary of Orient Capital (Hong Kong) Limited's parent company Orient Securities Co., Ltd. (東方證券股份有限公司), provided sponsorship services to the Company from 2017 to January 2019 in connection with its A shares listing. In addition, Citi Orient is currently providing continuous supervisory services to the Company after it was listed on the Shenzhen Stock Exchange in January 2019 (stock code: 300759). Furthermore, Citi Orient also provides certain advisory services to the Company covering various aspects such as business development.

The Joint Sponsors will be paid by our Company an aggregate fee of US$1 million to act as the sponsors to our Company in connection with the Global Offering.

D. Compliance Adviser

Our Company has appointed Guotai Junan Capital Limited as the compliance adviser upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

E. Preliminary Expenses

We have not incurred any preliminary expenses.

F. Promoters

As disclosed in the section headed "History and Corporate Structure" in this prospectus, the information of our promoters is as follows:

Shareholder	Capital contribution	Shareholding at the time of our establishment
	(RMB)	(%)
Pharmaron Holdings Limited	41,360,449	19.52%
Mr. LOU	11,653,815	5.50%
Ningbo Longtaikang Investment Management Co., Ltd. (寧波龍泰康投資管理有限公司)	11,653,814	5.50%
Beijing Longtaizhongxin Investment Management Partnership (Limited Partnership) (北京龍泰眾信投資管理企業(有限合夥))	1,020,317	0.48%
Beijing Longtaihuixin Investment Management Partnership (Limited Partnership) (北京龍泰匯信投資管理企業(有限合夥))	1,238,728	0.59%
Beijing Longtaidingsheng Investment Management Partnership (Limited Partnership) (北京龍泰鼎盛投資管理企業(有限合夥))	1,238,728	0.59%
Beijing Longtaihuisheng Investment Management Partnership (Limited Partnership) (北京龍泰匯盛投資管理企業(有限合夥))	1,238,728	0.59%
Beijing Longtaizhongsheng Investment Management Partnership (Limited Partnership) (北京龍泰眾盛投資管理企業(有限合夥))	1,238,728	0.59%
GL PHL Investment Limited	6,922,669	3.27%
Tianjin Junlian Wenda Equity Investment Partnership (Limited Partnership) (天津君聯聞達股權投資合夥企業(有限合夥))	36,172,230	17.07%
Beijing Junlian Maolin Equity Investment Partnership (Limited Partnership) (北京君聯茂林股權投資合夥企業(有限合夥))	7,567,412	3.57%
Shenzhen Xinzhong Kangcheng Investment Partnership (Limited Partnership) (深圳市信中康成投資合夥企業(有限合夥))	66,593,226	31.43%
Beijing Jinpu Ruida Technology Center (General Partnership) (北京金普瑞達科技中心(普通合夥))	6,053,930	2.86%
Yu Yuejiang	5,675,559	2.68%
Hartross Limited	4,691,795	2.21%
Wish Bloom Limited	7,567,412	3.57%
Total	211,887,540	100.00%

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
CLSA Capital Markets Limited	A corporation licensed under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Orient Capital (Hong Kong) Limited	A corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified public accountants
Zhong Lun Law Firm	PRC legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Asia-Pacific Consulting and Appraisal Limited	Property valuer

H. Consents of Experts

Each of the experts named in paragraph headed "G. Qualification of Experts" above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see Appendix IV to this prospectus.

J. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2019 (being the date of the latest audited consolidated statements of financial position of our Group as set out in the Accountant's Report in Appendix I to this prospectus) and up to the date of this prospectus.

K. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Our Group entered into certain related party transactions within the two years immediately preceding the date of this prospectus as mentioned in Note 46 of the Accountants' Report as set out in Appendix I to this prospectus.

M. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to Appendix VI to this prospectus.

N. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

  (ii) no share or loan capital of our Group is under option or is agreed conditionally or unconditionally to be put under option;

  (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Group; and

  (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Group;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our A Shares which are listed on the Shenzhen Stock Exchange, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) we are a foreign investment joint stock limited company and are not subject to the PRC Sino-Foreign Equity Joint Venture Law; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

O. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) copies of material contracts referred to in the paragraph headed "2. Further Information About Our Business—A. Summary of Our Material Contracts" in Appendix VII to this prospectus; and

(c) the written consents referred to in the paragraph headed "5. Other Information—H. Consents of Experts" in Appendix VII to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of O'Melveny & Myers at 31/F, AIA Central, 1 Connaught Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Articles of Association;

(b) the Accountants' Report for the three years ended December 31, 2018 and the six months ended June 30, 2019 from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2018 and the six months ended June 30, 2019;

(d) the Interim Financial Report for the nine months ended September 30, 2019 from Ernst & Young, the text of which is set out in Appendix IA to this prospectus;

(e) the report from Ernst & Young relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(f) the letter and valuation certificate in relation to the property interest of our Group prepared by Asia-Pacific Consulting and Appraisal Limited, the text of which is set out in Appendix III to this prospectus;

(g) the independent industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

(h) the material contracts referred to in the paragraph headed "2. Further Information About Our Business—A. Summary of Our Material Contracts" in Appendix VII to this prospectus;

(i) the written consents referred to in the paragraph headed "5. Other Information—H. Consents of Experts" in Appendix VII to this prospectus;

(j) service contracts entered into between our Company and each of our Directors and Supervisors;

(k) the legal opinion issued by Zhong Lun Law Firm, our legal adviser as to PRC law, in respect of our general matters and property interests of our Group; and

(l) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations.

康龍化成(北京)新藥技術股份有限公司

Pharmaron Beijing Co., Ltd.*